



OUTPACING THE MAINSTREAM

State of the Global
Islamic Economy Report 2017/18

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Executive Summary

The Islamic Economy is at the cusp of major growth and widespread recognition, having gained traction as Muslims assert their religiosity and traditional values. Awareness about the concept of Halal is on the rise, and companies are responding to these consumer needs, be it for products or services. **The State of the Global Islamic Economy Report 2017/18** brings you the latest developments and trends from this economy while also highlighting the future direction of this sector.

For the second year running, we have listened to the industry and millennial consumers to gauge views, opportunities and challenges. Sentiment across the board, from Halal Food to Islamic Finance and Modest Fashion, to Halal Travel, Halal Pharmaceuticals and Cosmetics, is overwhelmingly positive at 77 percent of interactions. For the first time, we look at the future state of what the Islamic Economy might be like in 2030 if core challenges and opportunities are addressed, which can see the emergence of multi-billion-dollar, scaled global enterprises.

This Report estimates that Global Muslim spend across lifestyle sectors was \$2 trillion in 2016, while the Islamic Finance sector has \$2.2 trillion in total assets. Food and beverage leads Muslim spend by category, at \$1.24 trillion, followed by clothing and apparel at \$254 billion, media and entertainment at \$198 billion, travel at \$169 billion, and spending on pharmaceuticals and cosmetics at \$83 billion and \$57.4 billion respectively.

Malaysia continues to lead the Global Islamic Economy Indicator, followed by the UAE and Saudi Arabia.

Halal Food is the largest and most diverse sector of the Islamic Economy. New entrants have come into the market, and product offerings have firmly moved

beyond being meat-focused to include candy, ready-made meals, snacks and children's food.

Established players are expanding at home and abroad, including through franchising. Multinationals have also made major investments in Muslim-majority markets, anticipating rising demand. Meanwhile, Private Equity investment and sovereign wealth funds have been particularly active, and a number of Halal Investment Funds are in development. The International Halal Accreditation Forum established in the UAE in 2016, with 27 global accreditation bodies as members, is a further positive development for the industry. With Muslim spend on food and beverages growing at nearly double that of global growth, there are significant opportunities for investment and the creation of global Halal Food brands, with spending expected to reach \$1.93 trillion by 2022.

The **Islamic Finance** sector continues to evolve. Both Muslim-majority and Muslim-minority countries are recognizing the segment's potential, with banks becoming fully-fledged Islamic institutions, and governments encouraging Islamic Finance to improve financial inclusion. The sukuk industry continues to mature, with a number of debut sukuk issuances over the past year and more in the pipeline. Further propelling growth is the adoption of Islamic FinTech, be it the world's first Sharia-compliant robo-advisory firm, or the first



Sharia-compliant gold platform. Notably, such endeavors have been achieved through utilizing crowdfunding. A burgeoning sector, assets were estimated at **over \$2 trillion** in 2016, and expected to surge to **\$3.8 trillion by 2022**.

Halal Travel is getting its moment in the sun. The number of Muslims traveling is at an all-time high, and there is corresponding demand for Halal Travel, be it Halal hotels and beach resorts, to Halal dining options and Halal airlines. Halal hotel chains are also emerging and family-friendly attractions are being developed in the GCC. Along with a plethora of new online agencies catering to Muslim tourists, the Muslim equivalents of Airbnb have emerged. Muslims spend on travel was \$169 billion in 2016, and is forecast to reach \$283 billion by 2022.

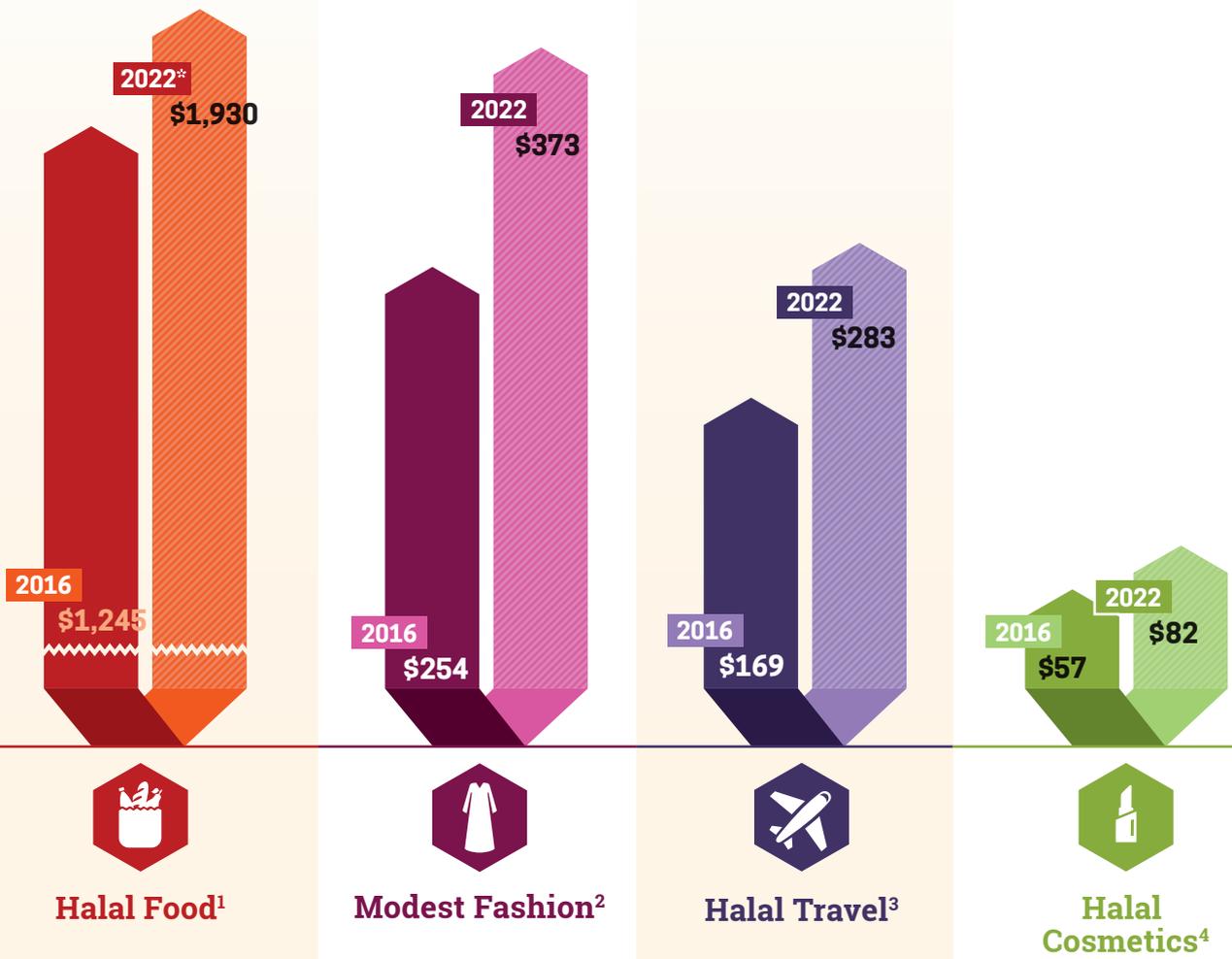
Modest Fashion is on the catwalks and in high street stores. Designer brands and boutiques have recognized that Modest Fashion is *a la mode*, developing new lines and Ramadan collections. Start-up Modest Fashion brands have also been making inroads around the world, particularly for Hijabs, gaining traction through the use of social media to spread the word. Modest athletic apparel is a notably trendy segment, with Nike getting in on the act as well as Danish label Hummel. Muslim spend on clothing was \$254 billion in 2016, and is forecast to reach \$373 billion by 2022.

Halal Media and Recreation is challenging perceptions and adapting to the needs of Muslim millennials. New films are being released, TV channels are going on air, and mainstream media is increasingly embracing Islamic content, be it on BuzzFeed, or Amazon Channels offering films and documentaries about Muslim culture and life through streaming-service Alchemiya. Muslim spend on media and entertainment was \$198 billion in 2016, and is forecast to reach \$281 billion by 2022.

The **Halal Pharmaceuticals and Cosmetics** sector is quickly moving out of its niche status, especially Halal cosmetics. Companies continue to open and make their presence felt on retail shelves and online. Multinational companies are also recognizing the segment's potential, notably U.S.-based Orly teaming up with Muslimgirl.com to create and launch six Halal nail polishes, just in time for Ramadan. Halal Pharmaceuticals are equally gaining traction, especially biologics and nutraceuticals, while Halal-certified vaccines for dengue fever, polio and Meningococcal meningitis (for Hajj) are soon to be launched worldwide. Muslims spend on pharmaceuticals was \$83 billion in 2016, and is forecast to reach \$132 billion by 2022, while spend on cosmetics was estimated at \$57.4 billion, and to reach \$82 billion by 2022.

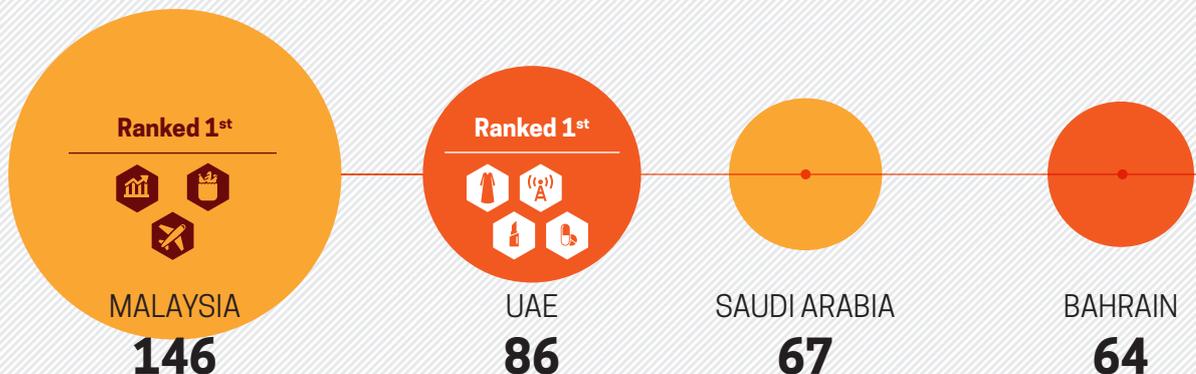
GLOBAL ISLAMIC ECONOMY

Global Islamic Economy Sectors (US\$ Billion)



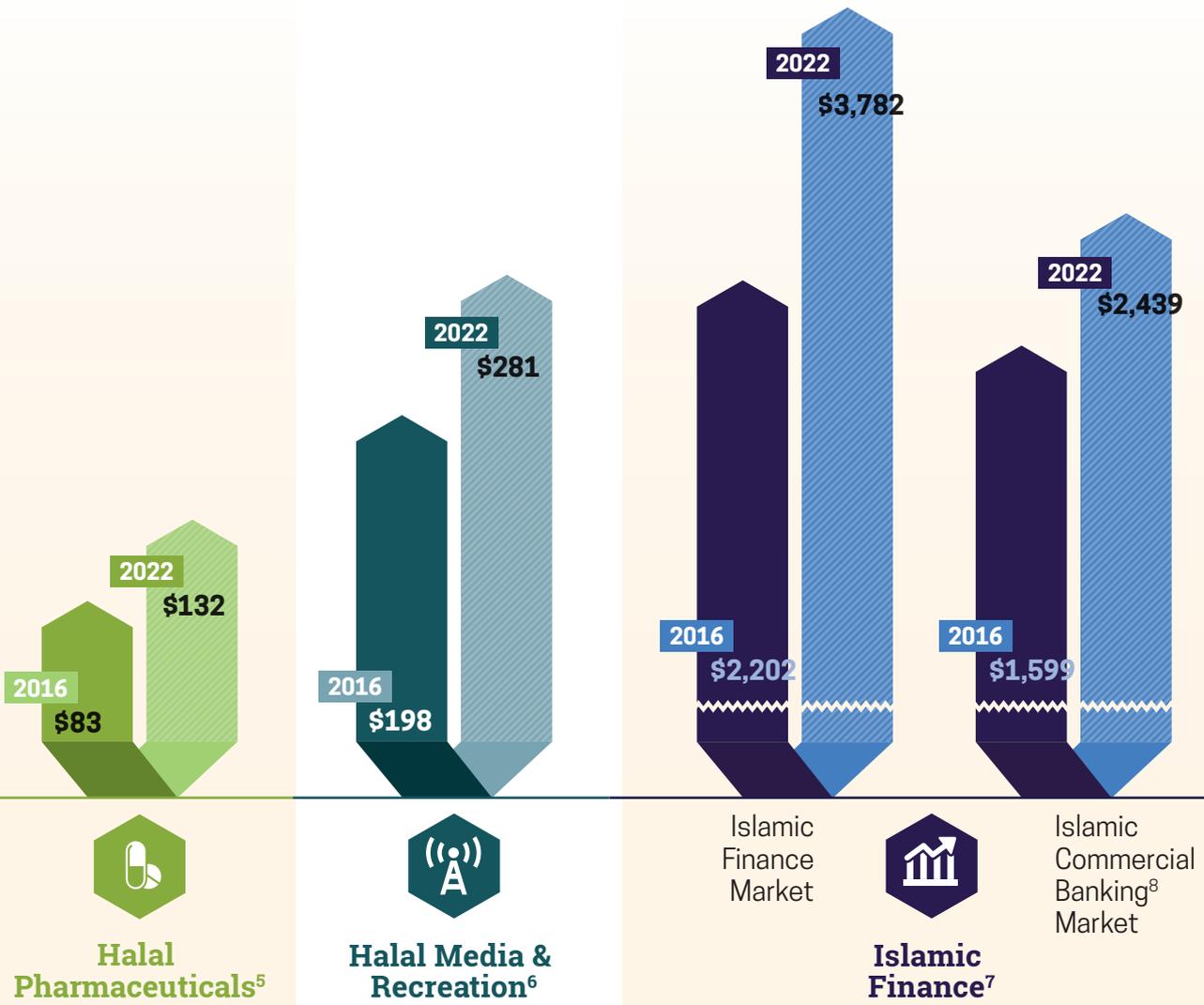
Global Muslim Spend on Food, Beverage & Lifestyle Sectors:

Top 10 Global Islamic Economy Indicator Score



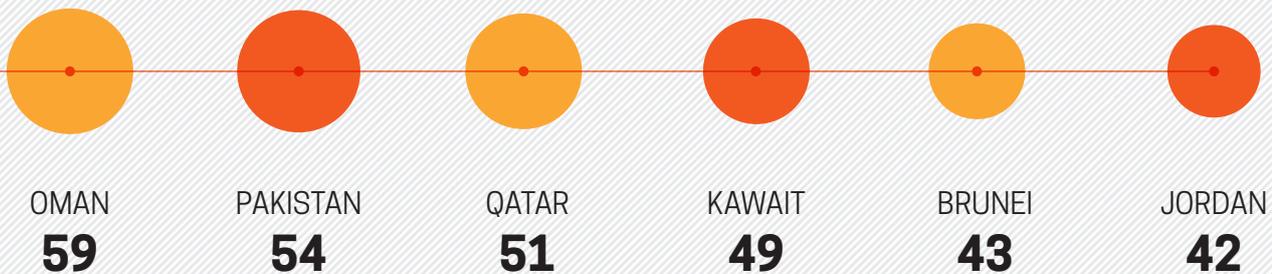
*Projections were determined by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, showing high correlation. The regression determined a line of best fit that, using IMF GDP forecasts, projected industry growth. IMF Outlook Oct 2014 Database for baseline projections. DinarStandard Muslim market estimates & analysis. | 1. A potential market based on Muslim food &

non-alcoholic beverage spending. Expenditure data Baselined from 2011 International Comparison Program + National Statistics Agencies. | 2. A potential market based on Clothing and footwear spending. Expenditure data Baselined from 2011 International Comparison Program + National Statistics Agencies. | 3. A potential market based on Global Muslim Outbound Tourism expenditure. Expenditure data Baselined from 2014



2016 Existing Muslim Market
 11.9% of global expenditure
\$2,006 BILLION

2022 Potential Market Size
 7.3% CAGR Growth (2016-2022)
\$3,081 BILLION



UNWTO data. | 4. A potential market based on Global Muslim personal care/cosmetic expenditure. Expenditure data from national industry associations, national statistics agencies, Eurostats and DinarStandard Analysis. | 5. A potential market based on Global Muslim Pharmaceutical expenditure. Various National Statistics Agencies/Pharma Industry Associations and UN Comtrade Data, DinarStandard Analysis. | 6.

A potential market based on Global Muslim Recreation & Culture expenditure. | 7. A potential market for Islamic Finance based on Potential Islamic Finance Assets. Total Commercial Banking Assets data from Central Banks. Current market estimates and projections: ThomsonReuters 2014 Data. | 8. Commercial banking assets only (Funds, Insurance, other not included)



Silhouette shot of downtown Kuala Lumpur skyline, Malaysia.

The Global Islamic Economy Indicator (GIEI)

The Global Islamic Economy Indicator (GIEI) is a composite weighted index intended to show the current state of Islamic Economy indicators across each of the Islamic Economy pillars that have been defined in this report series. The Indicator is not a ranking of current size and growth of each market, but evaluates the quality of the overall Islamic Economy ecosystem including social considerations each has relative to its size. The ranking of the index is weighted towards Islamic Finance and Halal Food given their relative sizes to other sectors.

Top countries

Malaysia leads the rankings again, supported by its Islamic Finance and Halal Food ecosystems, which to date remain unparalleled, followed by the UAE and Saudi Arabia. The constitution of the top 15 has not changed significantly from prior years, but notable movements include Saudi Arabia's rise to third place, and Iran edging close to the top ten, currently ranked 12th, up from 14th last year.

METHODOLOGY SUMMARY

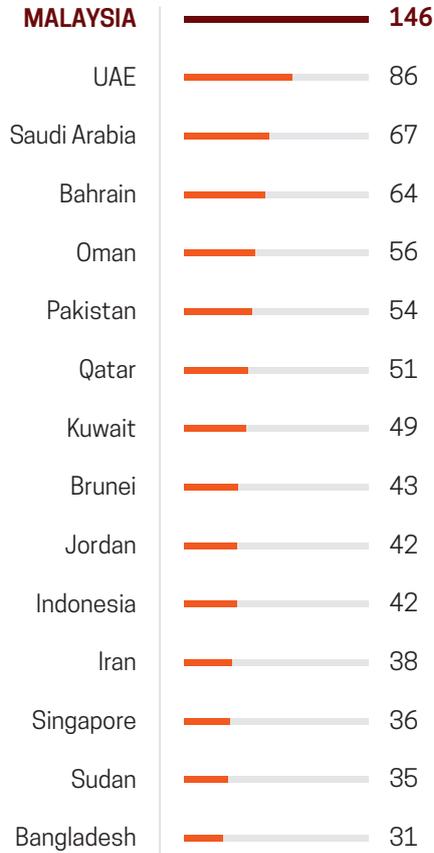
The following are key methodology highlights. The full methodology is presented in the Appendix.

- A total of 73 countries were evaluated that included 57 OIC and 16 non-OIC countries.
- To evaluate the health of the GIE ecosystem per country, each sector was evaluated based on the following key metric categories, which were equally weighted: 1) supply/demand drivers relative to country size, 2) governance, 3) awareness, and 4) social considerations. (The governance criteria did not apply to the Fashion, Media and Recreation sectors.) A total of 49 metrics was utilized.
- Each country's development health was adjusted to its relative size of the total economy.
- The aggregate indicator and overall rank is weighted to each sector's proportional economic size (Islamic Finance and Halal Food are weighted heavily in the ranking given their relative sizes: 46 percent and 35 percent respectively).

Following are the top 15 countries in the GIE indicator overall as well as for individual Islamic Economy sectors.



TOP 15 COUNTRIES GIE Indicator Score



TOP 10 Halal Food

- 1 MALAYSIA
- 2 UAE
- 3 Brazil
- 4 Australia
- 5 Pakistan
- 6 Oman
- 7 Brunei
- 8 Singapore
- 9 Sudan
- 10 Saudi Arabia



TOP 10 Islamic Finance

- 1 MALAYSIA
- 2 Bahrain
- 3 UAE
- 4 Saudi Arabia
- 5 Oman
- 6 Kuwait
- 7 Pakistan
- 8 Qatar
- 9 Iran
- 10 Indonesia



TOP 10 Halal Travel

- 1 MALAYSIA
- 2 UAE
- 3 Turkey
- 4 Indonesia
- 5 Thailand
- 6 Saudi Arabia
- 7 Tunisia
- 8 Maldives
- 9 Qatar
- 10 Jordan



TOP 10 Modest Fashion

- 1 UAE
- 2 Turkey
- 3 Italy
- 4 Singapore
- 5 France
- 6 China
- 7 Malaysia
- 8 India
- 9 Sri Lanka
- 10 Morocco



TOP 10 Halal Media and Recreation

- 1 UAE
- 2 Singapore
- 3 Qatar
- 4 Malaysia
- 5 United Kingdom
- 6 Lebanon
- 7 Germany
- 8 Oman
- 9 Bahrain
- 10 France



TOP 10 Halal Pharmaceuticals and Cosmetics

- 1 UAE
- 2 Singapore
- 3 Malaysia
- 4 Egypt
- 5 Pakistan
- 6 Jordan
- 7 Saudi Arabia
- 8 Indonesia
- 9 France
- 10 Oman

Top 15 Countries	GIE Indicator Score	Islamic Finance	Halal Food	Halal Travel	Modest Fashion	Halal Media and Recreation	Halal Pharmaceuticals & Cosmetics
Malaysia	146	193	89	109	31	57	62
United Arab Emirates	86	88	67	94	63	135	74
Saudi Arabia	67	84	47	43	15	33	47
Bahrain	64	88	30	19	26	40	37
Oman	56	59	57	30	22	40	40
Pakistan	54	56	60	13	21	9	52
Qatar	51	55	42	41	26	61	32
Kuwait	49	57	44	11	11	35	28
Brunei	43	41	52	24	13	29	35
Jordan	42	41	44	39	21	23	50
Indonesia	42	42	42	46	20	10	42
Iran	38	43	35	20	12	24	26
Singapore	36	21	51	25	33	79	63
Sudan	35	32	49	29	9	11	21
Bangladesh	31	36	25	19	26	7	25

Malaysia

Malaysia once again leads the GIEI for the fifth year in a row, this year 60 points ahead of the UAE. This impressive lead reflects a robust Islamic Economy ecosystem, with Malaysia enjoying a substantial lead in Islamic Finance and Halal Food.

- Malaysia's Islamic Finance ecosystem leads, despite Malaysia having fewer assets than Iran and Saudi Arabia, due to very strong awareness and governance credentials
- In Halal Food, Malaysia has resumed its leadership of the ranking, rising from fifth place in 2016, due primarily to a substantial increase in awareness of Halal Food.

United Arab Emirates (UAE)

The UAE maintains second place in the GIEI rankings, showing strong performance in the Islamic Finance indicator. It has also maintained first spot across all indicators, with the exception of Halal Food and Halal Travel, and Islamic Finance where Malaysia has performed exceptionally. The UAE's efforts to lead the Islamic Economy globally is bearing fruit, with notable progress in its launch of the International Halal Accreditation Forum.

Saudi Arabia

Saudi Arabia plays a significant role in the Islamic Economy, as a leading center for Islamic Finance, with \$473 billion in Islamic Finance assets, with total assets exceeded only by Iran. Saudi Arabia is also a hub for Halal Food, where it ranked as the 11th largest exporter of Food and Beverage to the OIC in 2016. While this ranking excludes Hajj and Umrah visitors, Saudi Arabia will undoubtedly become a key tourist destination, especially as it pursues economic diversification as part of its Vision 2030 strategy.

Bahrain

Bahrain has dropped to fourth place in GIEI rankings due to losing its top ten position in Modest Fashion. However, it has risen to second place in the Islamic Finance ratings, where total Islamic Finance assets increased by 50 percent to \$82 billion, supported by a notable improvement in Islamic Finance governance.

Gulf Cooperation Council (GCC)

All GCC economies are in the top ten for overall rankings, illustrating their continued strong performance as Islamic Economy hubs, driven in particular by their strong performance in the Islamic Finance and Halal Food indicators.

Other countries in the top 15

Pakistan, Jordan and Indonesia occupy the sixth, ninth and tenth places, respectively. This is due to their relatively consistent performance in most indicators. Pakistan is positioned strongly to benefit from the China-backed "One Belt One Road" initiative that could see a substantial improvement in its Halal Food rankings, but the benefits have not been fully realized to date in this ranking.

Overall, the top 15 have remained the same as last year, with Iran moving two places higher to 12th, and Singapore moving two places lower to 13th. Sudan and Indonesia have also moved one place lower to 14th and 11th respectively.

Macroeconomic Trends Impacting the Islamic Economy

Introduction

There are five core changes affecting the global economy through to 2030. Although robust demographics, major trade initiatives, and technological advancements underpin strong Islamic Economy growth, risks arising from climate change and rising populism need to be mitigated.

Core trends

✔ OPPORTUNITY

GDP GROWTH: The shift in balance of economic power is giving fast-growing emerging economies more geopolitical influence, and is set to generate trade-related growth across the Islamic Economy.

Global GDP, in PPP terms, is set to grow by 5.8 percent between 2016 and 2022, to reach \$168 trillion, with China's GDP already surpassing U.S. GDP in 2014. Much of the growth in GDP will come from emerging and developing economies, with only 3.9 percent growth in the G7-economies, and with 7.9 percent growth projected for the BRICS economies.¹

China's rapid economic growth has given the country increasing geopolitical influence. China's military spend, second highest after the U.S., increased by 10 percent per annum between 2007-16².

The country has taken significant steps to expand its soft power, with its ranking going up three places to 25th globally in the 2017 Soft Power 30 Index,³ making significant commitment to climate change, and has sought to resume the Transpacific Trade Pact, following U.S. withdrawals.⁴

China's "Old Belt One Road" initiative is a game-changer that will span 68 countries, with pledges of over \$100 billion in infrastructure investments.⁵



Islamic Economy Context

The 57 Muslim-majority OIC countries are set to grow by 6.2 percent between 2016 and 2022, faster than the global economy, and almost 1.6 times the G7. The OIC countries represented \$18.3 trillion in PPP terms, representing 15.3 percent of the global economy in 2016.⁶

China is set to play a major role facilitating substantial growth in Islamic Economy trade, in particular creating substantial benefits for Central and South Asia, with 28 out of the 57⁷ OIC countries involved in the "One Belt One Road" initiative, standing to benefit from \$3 trillion in infrastructure-related investment that will support agricultural and industrial sectors in those countries.⁸ Pakistan in particular is set to benefit from \$55 billion in investments.⁹

- 1 International Monetary Fund. 2017. *World Economic Outlook*.
- 2 Stockholm International Peace Research Institute. *Trends in World Military Expenditure, 2016*.
- 3 USC Center on Public Diplomacy. 2017. *The Soft Power 30*.
- 4 Shao, W. 2017. Trump has just given China more global political influence. *MarketWatch*.
- 5 Griffiths, J. 2017. Just what is this One Belt, One Road thing anyway?. *CNN Asia*.
- 6 International Monetary Fund. 2017. *World Economic Outlook*.
- 7 Yan, S. 2017. China pledges more than \$100 billion for its global investment push. *CNBC World Economy*.
- 8 Farr, G. 2017. Pakistan's Role in China's One Belt One Road Initiative.
- 9 Sender, H. and Stacey, K. 2017. China takes 'project of the century' to Pakistan. *Financial Times*.

✔ OPPORTUNITY

DEMOGRAPHICS: Millennials will become the engine of change across the retail economy, with brands set to gain substantially by addressing the needs of Muslim millennials, a sizeable, values-based customer segment.

The global population is set to reach 8.3 billion by 2027, growing at 1 percent per annum, with millennials representing a 2.8 billion-strong core consumer force. Overall, the global population is young, at 32, and is expected to increase to 34 by 2027.¹⁰

Millennials will continue to transform the retail economy, shifting the fortunes of retail brands

- Millennials, and subsequent generations, will drive a continued shift from offline to digital spend, with **e-commerce** expected to reach 14.6 percent of retail spend by 2020 according to e-marketer, up from 7.6 percent in 2020¹¹
- The **sharing economy** is expected to grow to \$335 billion by 2025, up from \$14 billion in 2014, with the “Uber” concept being introduced across retail industries¹²
- Millennials want to be proactively pursued by brands, with 95 percent of respondents to a survey by Accenture wanting brands to court them actively, and with 68 percent of respondents to the same survey wanting a seamless, integrated experience, regardless of channel.



Islamic Economy Context

The Muslim population is projected to reach 2.1 billion in 2027, representing 25.2 percent of the global population.¹³

The OIC in aggregate will reach 2.2 billion, with the average age increasing from 26.4 to 28.2, still below the global average.¹⁴

Millennial consumers, totaling 0.7 billion in 2027 across OIC countries, represent an increasingly important segment in the Islamic Economy.¹⁵

Global brands seeking to address the needs of this values-based consumer group need to **understand and address their needs**, and to **identify efficient ways to engage them** through dedicated online platforms.

10 The World Bank. 2017. *World Bank Population Estimates and Projections*.

11 Emarketer. 2016. *Worldwide Retail Ecommerce Sales Will Reach \$1915 Trillion This Year*.

12 Yaraghi, N. and Ravi, S. 2016. *The Current and Future State of the Sharing Economy*.

13 Pew Research Center. *The Future of the Global Muslim Population*.

14 The World Bank. 2017. *World Bank Population Estimates and Projections*.

15 The World Bank. 2017. *World Bank Population Estimates and Projections*.



▲ CHALLENGE

RISING POPULISM: Its rise poses a risk to world growth, and is likely to limit the wider reach of Halal products beyond Muslim consumers, and the ability of global brands to address Muslim consumer needs.

Populism is at its highest point since World War II, evidenced by Brexit and the election of Donald Trump, and is set to continue, representing a setback for global growth and trade

- The Developed World Populism Index shows that anti-establishment parties have captured up to 35 percent of the vote in 2016-17, getting dangerously close to levels seen just before World War II, where vote share was at 40 percent, driven in large part by the consequences of uneven economic growth, unemployment and terrorist attacks.¹⁶
- While populism has not always triumphed, evidenced by election outcomes in France and the Netherlands, the risk remains high across the world, with Mexico and Brazil showing a 20 percent chance or more of a populist government being elected in the next two to three years.¹⁷



Islamic Economy Context

The rise of economic populism will undoubtedly adversely impact the lives of 354 million Muslims living as a minority in non-Muslim countries, limiting the scope of the Halal Products Industries¹⁸

Anti-Muslim rhetoric has been on the rise, with **reported hate crimes** increasing to an average of 20 a day, up from three in London following terrorist attacks,¹⁹ and **strong anti-Halal sentiment** has arisen, with 389,000 hits on a simple Google search of "boycott" Halal²⁰

Such sentiment can limit the ability of global companies to address demand for Halal products, as well as broader uptake of Halal among non-Muslim consumers.

¹⁶ Bridgewater Associates, 2017. Populism: The Phenomenon.

¹⁷ Martin, W. 2017. 2016 was just the start — 'Get ready for more populist governments'. *Business Insider*.

¹⁸ Pew Research Center. The Future of the Global Muslim Population.

¹⁹ Express News UK, 2017. Surge in anti-Muslim hate crimes in wake of London and Manchester terror attacks.

²⁰ Google Search of "boycott" halal.

⚠ CHALLENGE

CLIMATE CHANGE: It will have adverse global economic and social consequences, disproportionately impacting OIC countries and hence Muslim lives.

Climate change is expected to result in 2.1 percent in lost GDP by 2030, and combined with carbon-intensive energy use, could lead to 6 million deaths per year by 2030²¹

- The world is already committed to temperatures rising to 0.5 C²² above historical averages, with the aim of nations to limit the continued rise in temperatures to well below 2 degrees Celsius²³
- 250 million people are exposed to the risk of a rise in sea levels, with 30 million affected by more extreme weather conditions, including floods, and 25 million affected by permafrost thawing.²⁴

✔ OPPORTUNITY ⚠ CHALLENGE

TECHNOLOGY INNOVATION: Automation will increase growth and profitability, but jobs will be lost, in particular in financial services. Islamic Finance is most under pressure to adapt.

Automation will enhance growth by 1.7 percent over the next 15-20 years, but more than 50 percent of current jobs will be replaced

- With rapid advance of AI and Big Data, automation is set to be applied across organizations, increasing growth by 1.7 percentage points by 2035 across 16 industries, and boost labor productivity by 40 percent²⁶
- However, there is also an adverse risk, with 56 percent of current jobs projected to be lost across the OECD by 2030 as a result of automation²⁷
- Manufacturing and the financial services industry are particularly amendable to automation, which can relieve workers of mundane tasks, and is estimated to add \$3.5 trillion and \$1.2 trillion in annual economic value by 2035, respectively.



Islamic Economy Context

OIC countries will face disproportionately higher economic losses, with unaddressed climate change substantially limiting tourism in affected countries.

The Least Developed Countries, a grouping of 45 countries including 13 OIC countries, are set to lose up to 3.3 percent of GDP by 2030, and the five most affected OIC countries (Indonesia, Malaysia, Nigeria, Pakistan and Bangladesh) will face an economic cost of \$645 billion by 2030.²⁵



Islamic Economy Context

Automation can be applied across the Islamic Economy to enhance operations, but most notably in Islamic Finance.

Islamic Finance has been slow to adapt to new technologies, which goes beyond AI to encompass blockchain, big data and cybersecurity.

A digital first strategy is needed for Islamic Banks, with a low smartphone penetration for key banking interactions.

Adopting a digital first strategy is key to the next tier of growth.²⁸

21 DARA. *Climate Vulnerability Monitor: A Guide to the Cold Calculus of a Hot Planet.*

22 DARA. *Climate Vulnerability Monitor: A Guide to the Cold Calculus of a Hot Planet.*

23 United Nations. *Paris Agreement.*

24 DARA. *Climate Vulnerability Monitor: A Guide to the Cold Calculus of a Hot Planet.*

25 DARA. *Climate Vulnerability Monitor: A Guide to the Cold Calculus of a Hot Planet.*

26 Purdy, M. and Daugherty, P., Accenture. *How AI Boosts Industry Profits and Innovation.*

27 The World Bank. 2016. *World Development Report 2016: Digital Dividends.*

28 EY. *World Islamic Banking Competitiveness Report 2016.*

Social Media Listening

Importance of Muslim Millennials

Millennials are playing a critical role in the nature and development of economies worldwide with Muslim millennials being considered one of the 21st century's most powerful economic forces.²⁹ The global Muslim population is growing to be tech-savvy and self-empowered, and is expected to increase by 73 percent — from 1.6 billion in 2010, to 2.8 billion in 2050,³⁰ with one third of Muslims today under 15 years old and nearly two-thirds under 30. Often referred to as Generation Y, millennials are individuals born between 1980 and 2000.³¹ The latest studies show they have an estimated combined spending power of \$2.45 trillion.³²

Muslims are also the youngest (median age of 23 years old in 2010) of all major religious groups worldwide, seven years younger than the median age of non-Muslims.³³ By 2030, 29 percent of the global young population (15-29) is projected to be Muslim. Coupled with the surge in the global Muslim youth population is the driving change that Muslim millennials are bringing to the 21st century with their economic growth, and Muslim lifestyle preferences for living a religious yet modern life.

Overview of Social Media Insights

To gather social media insights by millennials on the Islamic Economy, data from the most popular social media platforms were utilized. **A total of 685,000 social media interactions were captured in addition to 110,000 social media mentions. That is a total increase of circa 350,000 data points from our 2016 report.** Key insights are presented by sector in this section. Refer to the Methodology section for further details.

In aggregate, **77 percent of interactions were positive** and the **top countries where millennials were engaged with Islamic Economy sector topics are Pakistan (105,700 interactions), India (99,800 interactions), Bangladesh (58,300 interactions) and the U.S. (52,600 interactions.)** Pakistan, India and Bangladesh together represent 39 percent of the interactions captured. **Islamic Finance and Media saw the most interactions (300,000 out of 685,000), followed by Modest Fashion and Travel.**

29 Ogilvy Noor, 2017. *Ogilvy Noor launch new book 'Generation M: Young Muslims Changing the World'*.

30 Ogilvy Noor, 2017. *Ogilvy Noor launch new book 'Generation M: Young Muslims Changing the World'*.

31 PwC. PwC's NextGen: a global generational study: evolving talent strategy to match the new workforce reality: summary and compendium of findings.

32 Ellyatt, H. 2015. How trillion-dollar millennials are spending their cash. CNBC Europe News.

33 Lipka, M. 2017. Muslims and Islam: Key findings in the US and around the world. Pew Research Center.



Interactions by section and key country (top country in each sector bolded)

Country	Halal Food	Islamic Finance	Halal Travel	Modest Fashion	Halal Media and Recreation	Halal Pharmaceuticals	Halal Cosmetics	Total
Pakistan	7,100	48,800	23,800	6,200	15,100	2,300	2,400	105,700
India	9,200	14,200	20,200	14,500	30,900	5,600	5,200	99,800
Bangladesh	5,200	12,500	7,800	8,200	20,600	2,700	1,300	58,300
United States	7,700	3,800	2,400	15,000	9,100	2,400	12,200	52,600
Indonesia	6,900	6,700	5,000	12,900	7,400	200	9,400	48,500
Malaysia	6,900	16,200	3,600	2,700	6,500	500	2,700	39,100
Nigeria	2,200	6,000	2,700	13,700	11,400	2,500	-	38,500
Philippines	6,400	3,600	3,600	4,500	5,700	4,800	3,800	32,400
Saudi Arabia	1,100	3,400	7,200	2,800	5,100	500	700	20,800
United Kingdom	3,300	4,200	2,700	3,300	4,200	1,100	1,300	20,100
Other	24,000	30,600	21,000	36,200	34,000	12,400	11,000	169,200
Total	80,000	150,000	100,000	120,000	150,000	35,000	50,000	685,000
% of total	11.7%	21.9%	14.6%	17.5%	21.9%	5.1%	7.3%	100%

Halal Food Sector Insights

KEY MESSAGES AND IMPLICATIONS

- **The growth opportunity is being recognized by millennials:** Overwhelmingly (83 percent) positive online sentiment speaks to the substantial perceived opportunity of the industry among millennials, dominated by India, the U.S. and Pakistan
- **Eating out is a key trend that needs to be capitalized:** Discussion of Halal restaurants and home cooking indicate a trend towards eating out among Muslims, with robust opportunities for restaurant chains to address Halal in non-OIC companies and leverage social media to reach a sizeable, globally connected consumer base.



GEOGRAPHY & GENDER: LED BY THE U.S. AND INDIA, AND 57 PERCENT MALE

- India, the U.S. and Pakistan are the most active countries on social media for Halal Food — accounting for 30 percent of all data captured with 24,000 interactions
- Non-OIC countries such as the U.S., U.K., and Australia represented 23 percent of all interactions**
- Over **50 percent of all Halal Food interactions came from South Asian and Southeast Asian countries**, with Halal Food in Singapore and Vietnam being top Facebook topics.

SENTIMENT & TOPICS ANALYSIS: 83 PERCENT POSITIVE WITH RAMADAN AND RESTAURANTS HOT TOPICS

- Mentions about Halal Food were overwhelmingly (83 percent) positive:** posts focused on positive Halal Food experiences, Ramadan and specific countries such as Singapore and Vietnam
- 30 percent of all interactions on Halal Food within the U.S. were either negative or neutral with strong statements** on Halal certification concerns.

TOP KEYWORDS, HASHTAGS & SOURCES: TOP ONLINE SOURCES AND HASHTAGS FOCUSED ON EATING OUT AND CERTIFICATION

- Halal represented 22 percent of all keywords captured.** Popular hashtags included: #restaurant, #halalfood, and #homecook. The hashtag #chinese in relation to Halal Food was just as used as the hashtag #halalfood itself with 1,100 interactions
- Amongst the **top 10 online sources and website were Footsteps IndoChina, Eatbook Singapore and Have Halal Will Travel**, re-emphasizing the strong demand of Halal Food in Southeast Asian culture
- 36 percent of all social media mentions were in relation to Halal Food and certification**, indicating that the authenticity, reliability and source of Halal Food is highly important amongst social media users.



HALAL FOOD

Supporting Data Points & Graphs

Country	Interactions
India	9,200
United States	7,700
Pakistan	7,100
Indonesia	6,900
Malaysia	6,900

Demographics



Sentiment



Top 5 Keywords Interactions

Halal	17,000
Muslim	15,800
Islam	7,800
Ramadan	5,200
Singapore	5,000

Top 5 Hashtags Interactions

#halal	1,800
#restaurant	1,400
#halalfood	1,300
#homecook	1,300
#sweetsourmeat-balls	1,100

Islamic Finance Sector Insights

KEY TAKEAWAYS

- **The discussion and presence of Islamic Finance needs to be more global:** Although 75 percent of interactions were positive, the discussion was dominated by males, with Malaysia and South Asia dominating interactions, suggesting greater scope for broader penetration and awareness in non-OIC countries
- **More diverse success stories are needed:** Zakat is most recognized in key words, but greater support is needed for startups to flourish — and the lack of recognition of key success stories such as Wahed Invest shows millennials are not as aware or satisfied that Islamic Finance is meeting their needs.



GEOGRAPHY & GENDER: LED BY PAKISTAN AND MALAYSIA, AND 72 PERCENT MALE

- ↳ **Pakistan, Malaysia and India are the most active countries on social media for Islamic Finance:** accounting for 53 percent of all data captured with 79,200 interactions
- ↳ **72 percent of Facebook interactions were by males,** with substantial room for greater female engagement. **Countries such as the U.S. and Philippines had a larger representation from females, greater than 50 percent.**

SENTIMENT & TOPICS ANALYSIS: 75 PERCENT POSITIVE, WITH STRONG FOCUS ON CHARITY

- ↳ **Mentions about Islamic Finance were overwhelmingly (75 percent) positive:** positive posts observed were Islamic Finance charity related products such as Zakat and Sadaqah with a variety of other types of topics such as countries, the industry as a whole and general Islamic terms such as Allah and Sharia
- ↳ **19 percent of interactions were neutral and 6 percent were negative,** with negative sentiment only from Nigeria.

TOP KEYWORDS, HASHTAGS & SOURCES: STRONG ASSOCIATION WITH ZAKAT AND PAKISTAN, WITH NOTABLE RECOGNITION OF STARTUPS

- ↳ Top relevant keywords were: Zakat, Pakistan, Sadaqah and Islamic banking and finance. **Zakat represented 33 percent of all keywords captured**
- ↳ A variety of diverse hashtags were popular, such as #startup, #tech, and #women emphasizing the diversity of industry and its growth
- ↳ Amongst the top 10 online sources were links in relation to the Shaukat Khanom hospital appeal in Pakistan and other fundraising campaigns
- ↳ In terms of social media mentions:
 - Islamic Finance social media activity from **news organizations represented 37 percent of all activity captured**
 - Islamic Education accounts represented 33 percent of all activity, individual influencers represented 23 percent and corporates/ government only representing 7 percent.



Islamic Finance
Supporting Data Points & Graphs

Country	Interactions
Pakistan	48,800
Malaysia	16,200
India	14,200
Bangladesh	12,500
Indonesia	6,700

Sentiment



Top 5 Keywords Interactions

Zakat	51,300
Pakistan	20,800
Allah	14,600
Canada	13,200
Sadaqah	11,600

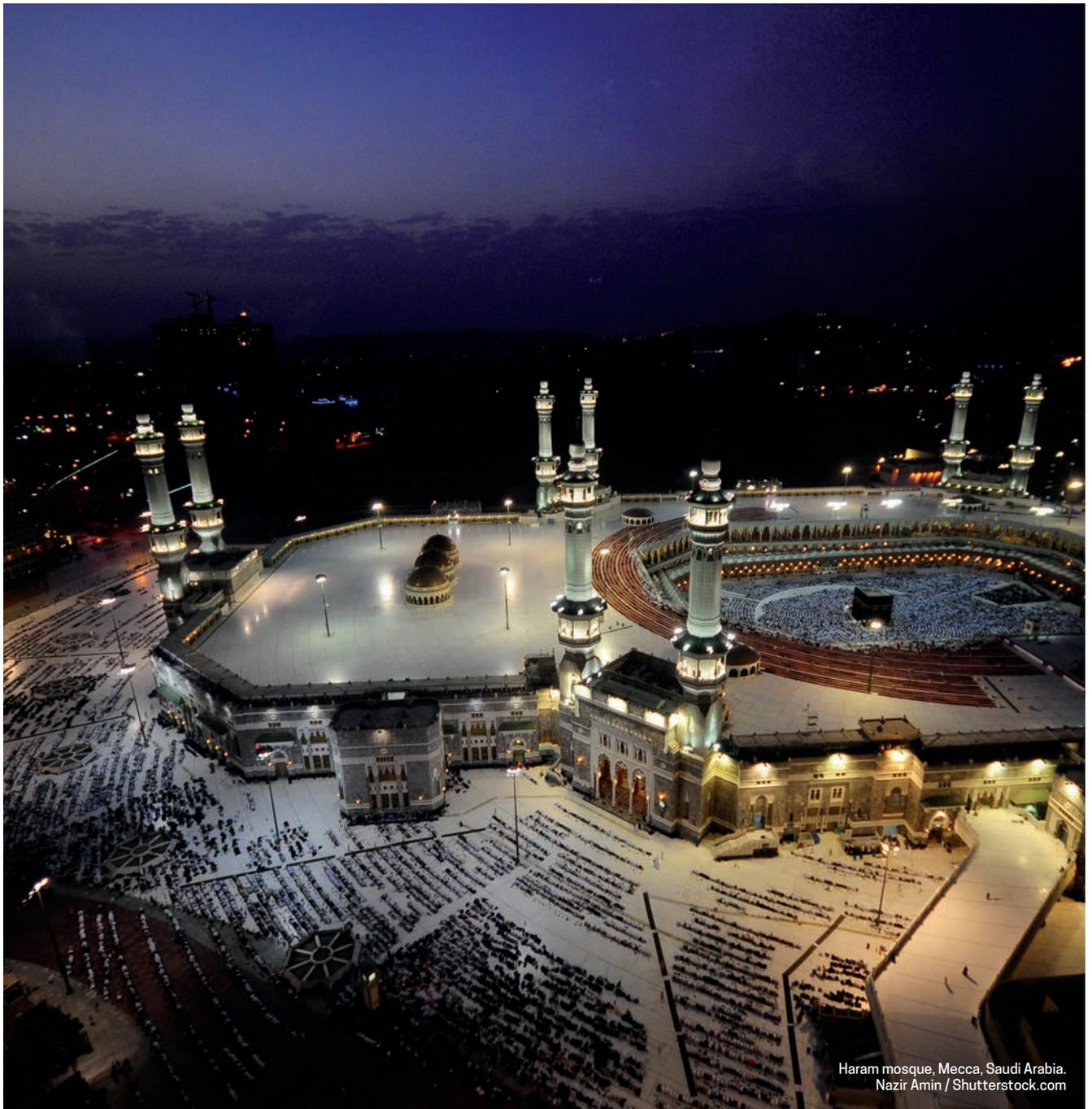
Top 5 Hashtags Interactions

#skmch	13,400
#startup	6,900
#women	6,800
#muslim	6,800
#success	6,800

Halal Travel Sector Insights

KEY MESSAGE AND IMPLICATION

- **Halal Travel is a largely regional phenomenon:** Although positive, South Asia led most of the interactions, with a greater marketing push clearly needed among Muslim millennials
- **The sector needs to move beyond Hajj and Umrah in the mind of millennials:** Though Turkey's credentials are noted, more awareness of Halal Travel is needed to penetrate a larger share of Muslim spend on travel



Haram mosque, Mecca, Saudi Arabia.
Nazir Amin / Shutterstock.com

GEOGRAPHY & GENDER: LED BY SOUTH ASIA, AND 72 PERCENT MALE

- ↳ **Pakistan, India and Bangladesh are the most active countries on social media for Halal Travel:** accounting for 52 percent of all data captured with 52,000 interactions, reflecting high numbers of Hajj and Umrah travelers from those countries
- ↳ **Males (72 percent) dominated the Halal Travel interactions with females only representing 27 percent.** Males dominated interactions across all countries but it was more prevalent in South Asian countries.

SENTIMENT & TOPICS: 78 PERCENT POSITIVE WITH HAJJ AND UMRAH DOMINATING DISCUSSIONS

- ↳ **78 percent of millennial interactions were with positive sentiment,** 16 percent were neutral, and **only 6 percent were negative.** Our 2016 report showed that **25 percent of interactions were negative,** which indicates that Muslim travelers and the perception of Muslims traveling is becoming more positive
- ↳ The majority of positive sentiments are generally of the type of religious travel experiences, such as Umrah and Hajj.

TOP KEYWORDS, HASHTAGS & SOURCES: HAJJ AND UMRAH REPRESENTED 61 PERCENT OF INTERACTIONS

- ↳ Top relevant keywords and hashtags were all related to the Umrah and Hajj pilgrimage with 89 percent of all keywords recorded
- ↳ Popular hashtags included #umrah, #ramadan, #muslim and #hajj, representing 19 percent of all hashtags used
- ↳ Combined, **Hajj and Umrah related keywords and hashtags represented 61 percent of all social media interactions on Halal Travel**
- ↳ **Online portals which provide travel advice are more popular than sources providing travel experiences and blog related content,** with most of the top online sources being travel information related, followed by Hajj, travel agencies and travel blogs
- ↳ Social media interactions highlighted the following:
 - **‘Turkey will be the paradise of Halal Tourism’ had dominated the results, being the number one most talked about concept** and online source shared during the social media listening period



Halal Travel

Supporting Data Points & Graphs

Country	Interactions
Pakistan	23,800
India	20,200
Bangladesh	7,800
Indonesia	5,000
United States	2,400

Sentiment



Top 5 Keywords Interactions

Umrah	55,900
Hajj	33,500
Mashallah	20,200
Allah	12,800
God In Islam	12,800

Top 5 Hashtags Interactions

#umrah	6,900
#ramadan	4,300
#muslim	4,300
#hajj	3,400
#generosity	2,500

Modest Fashion Sector Insights

KEY MESSAGE AND IMPLICATION

- ✎ **The Modest Fashion story is gaining momentum among millennials, laying the groundwork for substantial investment and growth:** Broad global interest, led by the U.S., India, Nigeria and Indonesia, with overwhelmingly positive (84 percent) sentiments, and with Hijab fashion the hot topic.
- ✎ **However, the industry needs to address anti-Islamic sentiment and move beyond Hijab:** Strong focus on Hijab (25 percent of all interactions) suggests more marketing and product development is needed in adjacent categories, such as sportswear and wearable devices, with greater marketing efforts to address negative and often misconstrued sentiment.



Fashion show at National Craft Comple in Kuala Lumpur, Malaysia. dboystudio / Shutterstock.com

GEOGRAPHY & GENDER: BROAD REGIONAL REPRESENTATION, AND 57 PERCENT FEMALE

- ↳ **The U.S., India, Nigeria and Indonesia** accounted for 60 percent of all data captured
- ↳ **Males (43 percent) showed strong interest in Modest Fashion.** Females dominated across all countries, however in **Bangladesh and Pakistan over 80 percent of interactions came from males.**

SENTIMENT & TOPICS: 84 PERCENT POSITIVE WITH VERY ROBUST MEDIA RECOGNITION

- ↳ **84 percent of millennial interactions were with positive sentiment,** related to users supporting modest wear. **Positive sentiments also come from mainstream media recognition, notably Forbes, CNN and Wired Italia**
- ↳ Negative sentiments related to a largely Muslim-led controversy about how modest the sector truly is.

TOP KEYWORDS, HASHTAGS & SOURCES: MODEST FASHION HAS STRONG ASSOCIATION WITH HIJAB AMONG WORDS AND HASHTAGS, BUT WITH NOTABLE NEGATIVE SENTIMENTS IN SOCIAL MEDIA MENTIONS

- ↳ **The term Hijab is central to millennials interactions** around Modest Fashion alongside key synonymous words such as style, fashion and modesty, and top, being used in 25 percent of all interactions
- ↳ Hashtags are used more relatedly in Modest Fashion interactions with #hijab, #hijabstyle and #hijab fashion representing over 35 percent of all interactions captured
- ↳ The most referenced online source was 'Confessions of Successful Asian Women' followed by popular news links, articles and brands promoting the positivity of Modest Fashion
- ↳ **In social media mentions, eight out of the top 10 trending concepts in Modest Fashion were negative,** criticizing individuals who wear Hijab with less modest clothing, and individuals becoming irritated with Muslims and the way they dress - showing strong signs of negative Islamic sentiment.



Modest Fashion
Supporting Data Points & Graphs

Country	Interactions
United States	15,000
India	14,500
Nigeria	13,700
Indonesia	12,900
Bangladesh	8,200

Sentiment



Top 5 Keywords Interactions

Muslim	32,800
Hijab (Arabic)	30,400
Islam	7,700
Allah	7,500
Ramadan	6,200

Top 5 Hashtags Interactions

#hijab	19,800
#muslim	14,600
#hijabstyle	11,300
#hijabfashion	10,900
#modesty	10,300

Halal Media and Recreation Sector Insights

KEY MESSAGE AND IMPLICATION

- **The sector needs to move beyond South Asia and religious television:** Despite notable interactions from the U.S., the negative sentiment attached to the sector, and strong representation of TV and radio in social media, indicates a strong need to recognize and support success stories such as Muslim Kids TV and Alchemiya
- **Lifestyle apps have substantial promise among millennials which needs to be capitalized upon:** The strong recognition of Hadith of the day, and the strong demand for education in Malaysia and India, highlights the high, and oftentimes unmet, demand for lifestyle apps.



GEOGRAPHY & GENDER: LED BY SOUTH ASIA AND 69 PERCENT MALE

- **India, Bangladesh, and Pakistan were the top countries for Halal Media & Recreation:** accounting for 44 percent of all data captured with 67,000 interactions
- **Males (69 percent) dominate the interactions around media & recreation with females representing only 27 percent of the interactions.** Larger women representation, nearing 50 percent, occurred in the U.S., Canada and the U.K.

SENTIMENT & TOPICS: ONLY 65 PERCENT POSITIVE WITH A FOCUS ON CORE RELIGIOUS TOPICS - ISLAMIC, MOSQUE AND QURAN

- **Only 65 percent of interactions were positive with 14 percent being negative: the highest amongst all sectors.** 30 percent of all interactions from the U.S. and India were negative
- Interactions referencing topics such as ‘Muslim,’ ‘Islam,’ ‘Quran,’ ‘Madrasah’ and ‘Mosque’ shows strong negative sentiment among aspects of Halal Media and Recreation and lifestyle.

TOP KEYWORDS, HASHTAGS & SOURCES: GENERIC TERMS DOMINATED INTERACTIONS, WITH ISLAMIC TV AND MEDIA THE MOST POPULAR FORMS OF MEDIA

- **Top keywords were generic Islamic terms, with the words Muslim & Islam accounting for 40 percent of all data**
- Many **prominent hashtags were education-related such as #besteducation, #bestpreschool and #preschoolmalaysia,** showing the growing interest and demand for Islamic educational products and services
- **The most referenced online source was a mobile app called Hajj & Umrah Guide,** which reflects the strong affinity towards modern and interactive Islamic products and services. The most referenced online source was ‘Confessions of Successful Asian Women’ followed by popular news links, articles and brands promoting the positivity of Modest Fashion
- **In terms of broader social media interactions, Islamic TV and music are the most popular media types representing 18 percent and 12 percent respectively of all social media mentions.** Other types recorded but not as popular include Islamic games (7 percent), apps (4 percent) and radio (1 percent).



Halal Media & Recreation
Supporting Data Points & Graphs

Country	Interactions
India	30,900
Bangladesh	20,600
Pakistan	15,100
Nigeria	11,400
United States	9,100

Sentiment



Top 5 Keywords Interactions

Muslim	30,400
Islam	28,600
Allah	17,400
Quran	14,300
Hadith of The Day	12,700

Top 5 Hashtags Interactions

#islam	8,400
#umrah	6,300
#hajj	6,200
#guide	6,200
#safeadam	5,600

Halal Pharmaceuticals and Cosmetics

KEY MESSAGE AND IMPLICATION

- **Nutraceuticals are a key growth area for the Halal Pharma industry:** With 82 percent positive interactions focused around wellness and vitamins, and with broad global coverage among top interactions
- **Halal cosmetics is strongly linked to beauty and positive sentiment can be capitalized:** At 91 percent positive, sentiment was the most positive among Islamic Economy sectors, and the recognition of success stories such as Orly-Muslimgirl.com makes this a hot sector for investment and new entrants



PHARMA: GEOGRAPHY & GENDER: LED BY INDIA AND THE PHILIPPINES, AND 60 PERCENT MALE

- **Muslims in India demand more Halal Pharmaceutical products — accounting for 17 percent** of all interactions. Together with the Philippines both countries represented 27 percent
- Growing interest comes from the U.S., being the fifth most active country.

PHARMA: SENTIMENT, TOPICS AND KEY WORDS: 82 PERCENT POSITIVE WITH WELLNESS AND VITAMINS HOT TOPICS

- **An overwhelming 82 percent of interactions were with positive sentiment**, with hashtags used around the area of wellness and vitamins
- **Negative sentiment, although at a low 11 percent, covered key issues** such as a high perception of Muslim fertility in Australia, and general drug related issues in Islamic countries
- Notable hashtags included #halal, #vitamins, and #wellness. Whilst Medicine had an equal splitting of 45 percent positive and 45 percent negative, #halal, #vitamins and #wellness were all 100 percent positive

COSMETICS: GEOGRAPHY & GENDER: LED BY THE U.S. AND INDONESIA, AND 74 PERCENT FEMALE

- **The U.S. accounted for nearly 25 percent of all data capturing over 12,000 interactions**
- Indonesia, India, Philippines and Malaysia represented 44 percent capturing 22,000 interactions, showing high awareness and interaction around Halal cosmetics

COSMETICS: SENTIMENT, TOPICS AND KEY WORDS: 91 PERCENT POSITIVE, STRONGLY ASSOCIATED WITH NAIL POLISH

- **An overwhelming 91 percent of interactions were with positive sentiment**, with Southeast Asian countries such as Philippines showing 100 percent positive sentiment towards topics around this sector, focused on **nail polish and female beauticians in Southeast Asia**
- The most common terms and hashtags relevant were Orly, Nail Polish, areas within Indonesia, Halal, make-up and hashtags such as #halalpaint and #mua

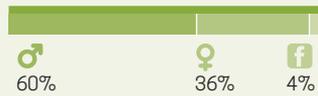


Halal Pharmaceuticals and Cosmetics

Supporting Data Points & Graphs

Country	Interactions
India	5,600
Philippines	4,800
Bangladesh	2,700
Nigeria	2,500
United States	2,400

Demographics (Pharma)



Sentiment (Pharma)



Top Keywords Interactions

Muslim	6,300
Allah	3,300
Halal	2,800

Demographics (Cosmetics)



Sentiment (Cosmetics)



The Islamic Economy in 2030

Overview

The Islamic Economy has seen substantial progress over the last year, with notable investments, new products and enhancement in regulation. As these developments continue, what could this lead to in 2030? This section presents potential outcomes based on discussions with industry participants and a reflection on sector trajectories if core opportunities are addressed.

Halal Industry in 2030: A mature sector, surpassing \$1 trillion in size

✔ OPPORTUNITY

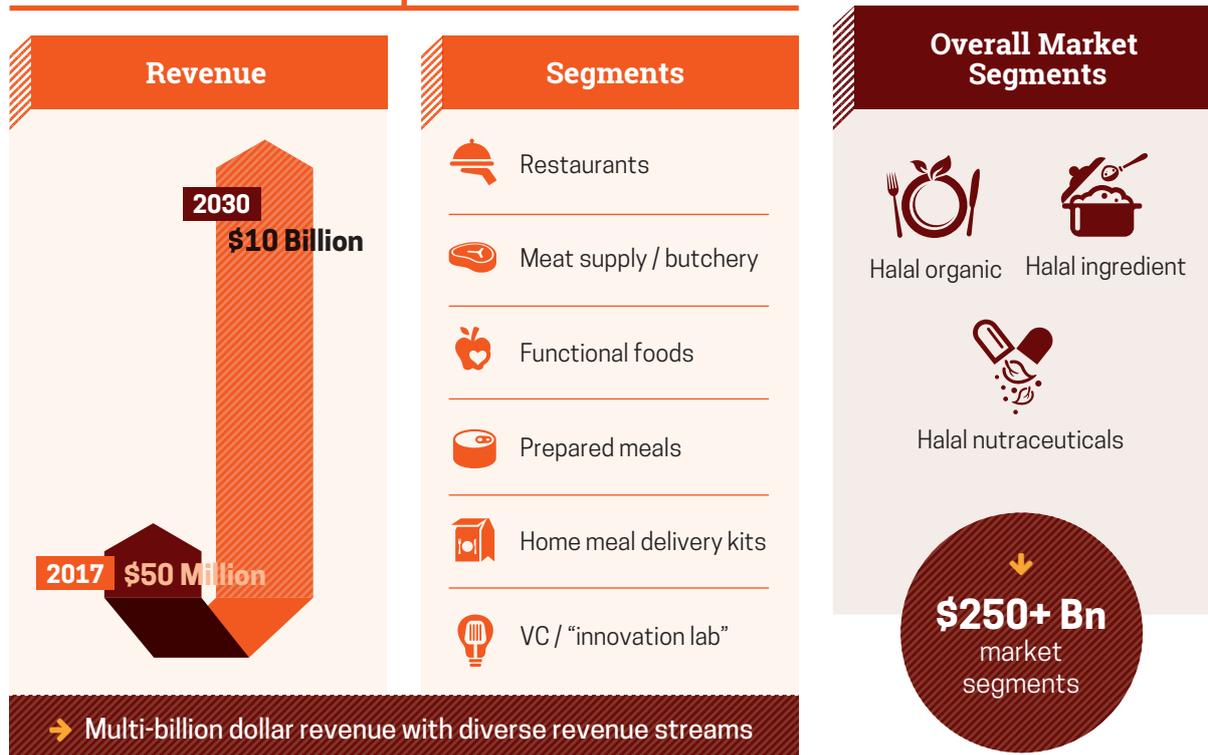
COMPANIES: A \$5 billion revenue global and diverse Halal Products company will emerge that is publicly listed.

- **The Halal opportunity is set to surpass \$1 trillion:** The Halal Certified Food and Beverage Industry, estimated at \$415 billion in 2015,³⁴ is set to experience substantial growth to surpass \$1 trillion, based on the total trajectory of Muslim spend on Halal Products and the increasing application of certification across the OIC
- **Private Equity will play a key role in creating a leading player capturing notable market share:**
 - As awareness and interest in Halal Food companies emerge, private investment will spearhead capital investment, geographic and product expansion, and at \$5 billion would only be capturing 0.5 percent market share or less
 - Today, the industry is highly fragmented, and except for a handful of leading multinationals addressing Halal, and generating in excess of \$1 billion in revenues, the industry contains a large number of players earning less than \$100 million in annual revenues
- **The end result would be a publicly listed, global contender:** As the company scales, it could expand into nutritional products, as today's conglomerates have done, such as Johnson & Johnson, and Unilever, with a global footprint and a well-developed innovation engine.

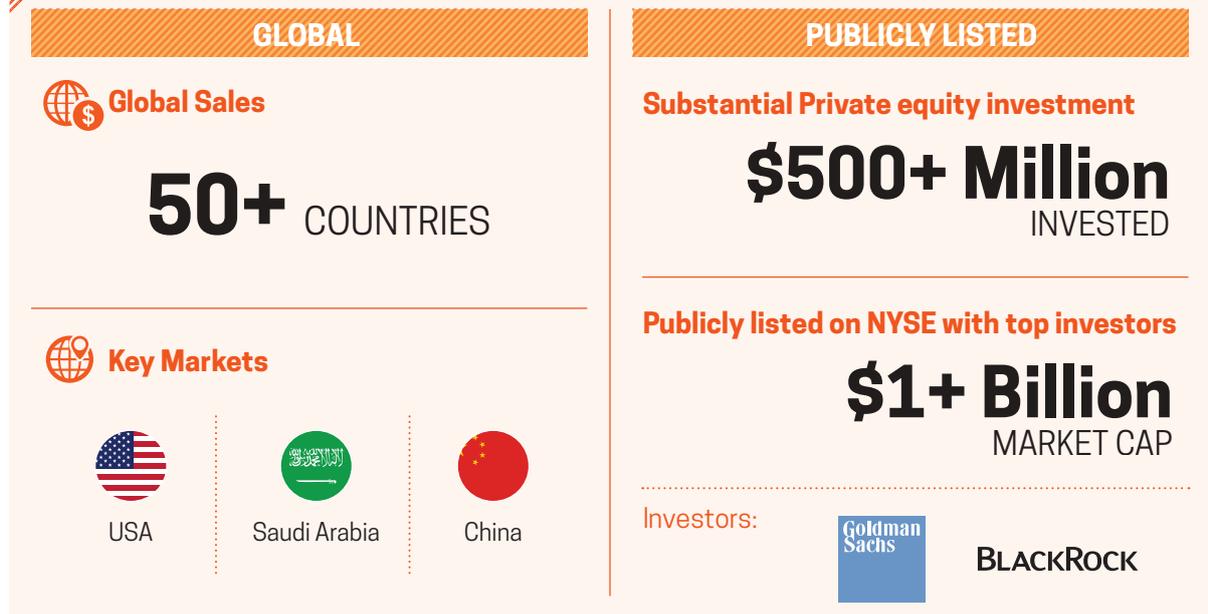
³⁴ Thomson Reuters and DinarStandard. *State of the Global Islamic Economy Report: 2016/17*.

Picturing the Halal Products company of the future

Company-specific



Geography & Finance



✔ OPPORTUNITY

EXPORTERS: An OIC country will unexpectedly become a key billion-dollar export player in Halal Food to challenge Brazil and India by 2030, emboldened by China's "One Belt One Road" initiative.

- **The OIC is largely reliant on non-OIC countries for imports:** Although OIC imported \$190 billion of food and beverage in 2015, at 16 percent of domestic consumption, only 22 percent came from non-OIC countries³⁵
- **A leading OIC-based exporter in the global Halal Products trade will emerge:** Challenging the leadership position of Brazil and India, several critical steps would have been taken:
 - **Establishing robust Halal certification is a key enabler of growth:** Turkey's ability to grow exports of poultry to the OIC threefold between 2010 and 2014 was linked directly to its introduction of Halal certification in 2009³⁶
 - **Sustainable agriculture will be a key step:** Leveraging Kazakhstan's efforts to import 10,000 cattle from non-OIC countries is a case study for developing sustainable agriculture³⁷
 - **Advanced processing and SME finance** will be critical growth enablers for economies seeking to gain a foothold in the Halal Products trade
 - **China's "One Belt One Road" initiative will be decisive** in which OIC countries end up playing a key role in Halal Food Trade. Pakistan in particular is set to benefit, as well as Central Asia, from the substantial infrastructure investments and market access.



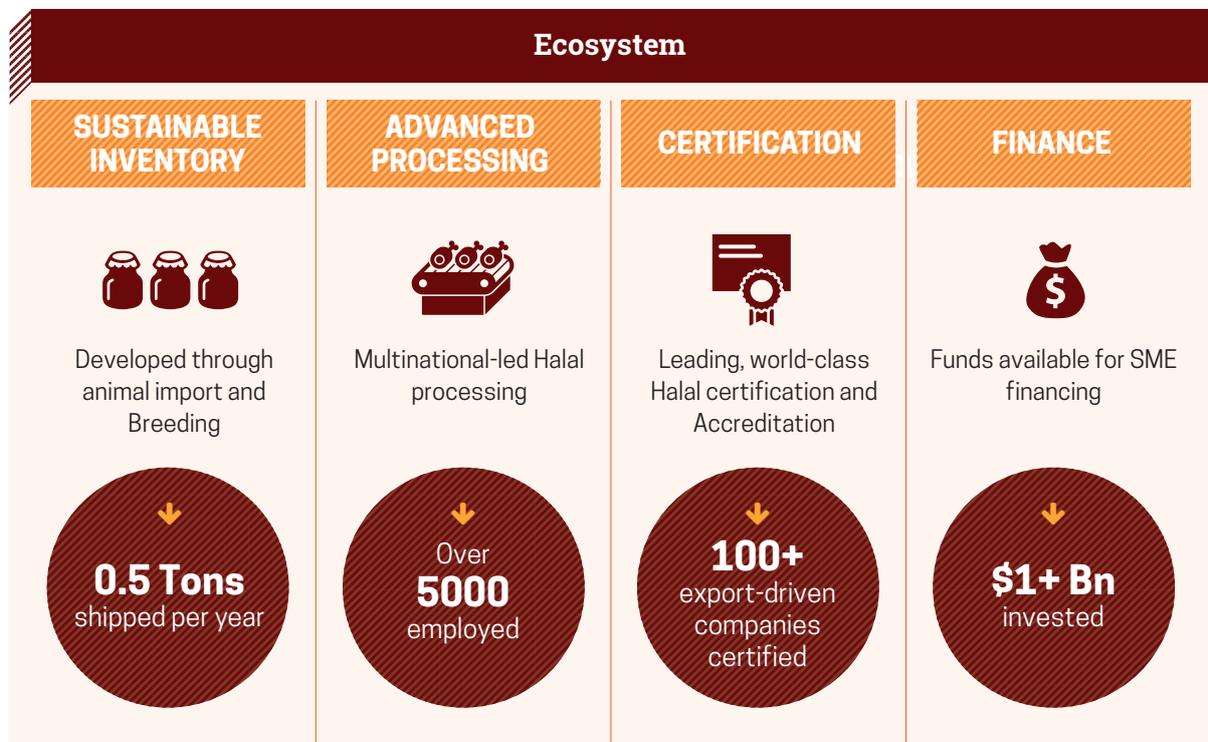
³⁵ Thomson Reuters and DinarStandard. The OIC's current and potential role in the global halal food trade.

³⁶ Latif, H. and Kocaman, Y. 2016. Overview-Turkey's \$30 bln halal food market opportunity. *Salaam Gateway - Halal Industry*.

³⁷ Latif, H. 2016. Overview-Kazakhstan's \$3 bln halal food market. *Salaam Gateway - Halal Industry*.

Picturing a leading Halal OIC-based exporter of the future

Strong export-driven proposition supported by a robust Halal ecosystem



✔ OPPORTUNITY

CERTIFICATION: Halal organic will become the gold standard in the food industry, with fewer Halal certifiers, and greater oversight.

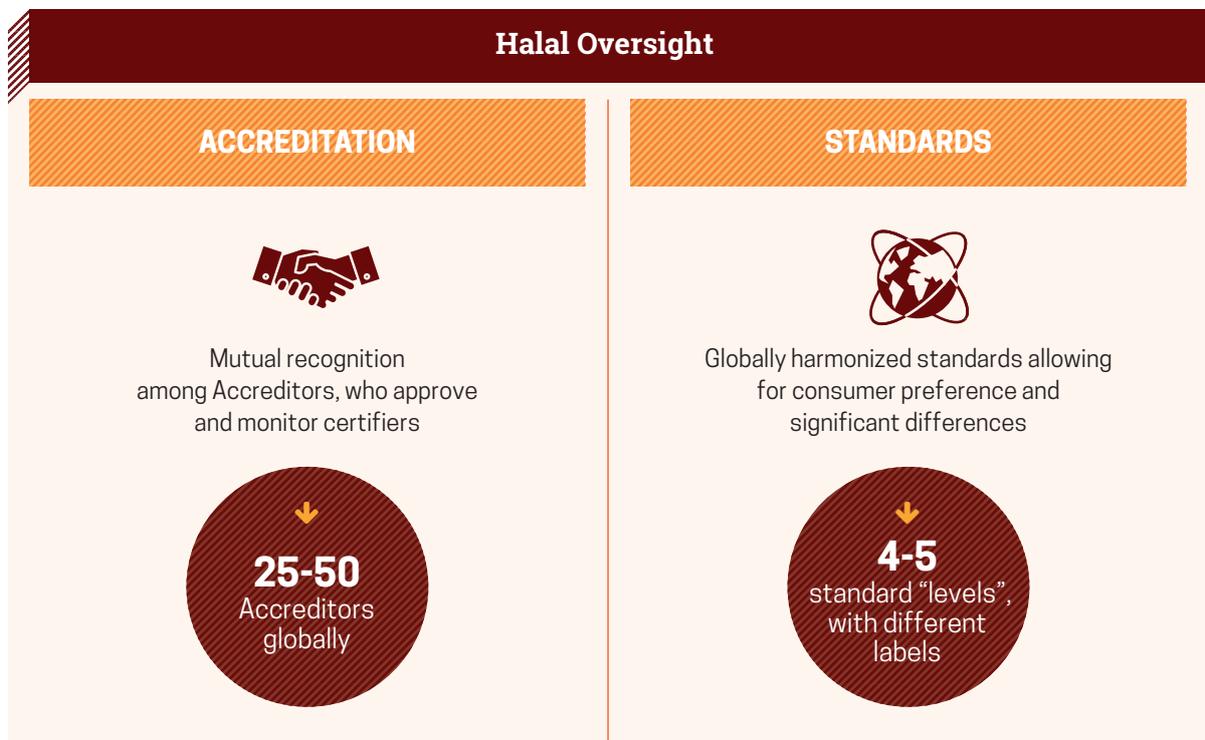
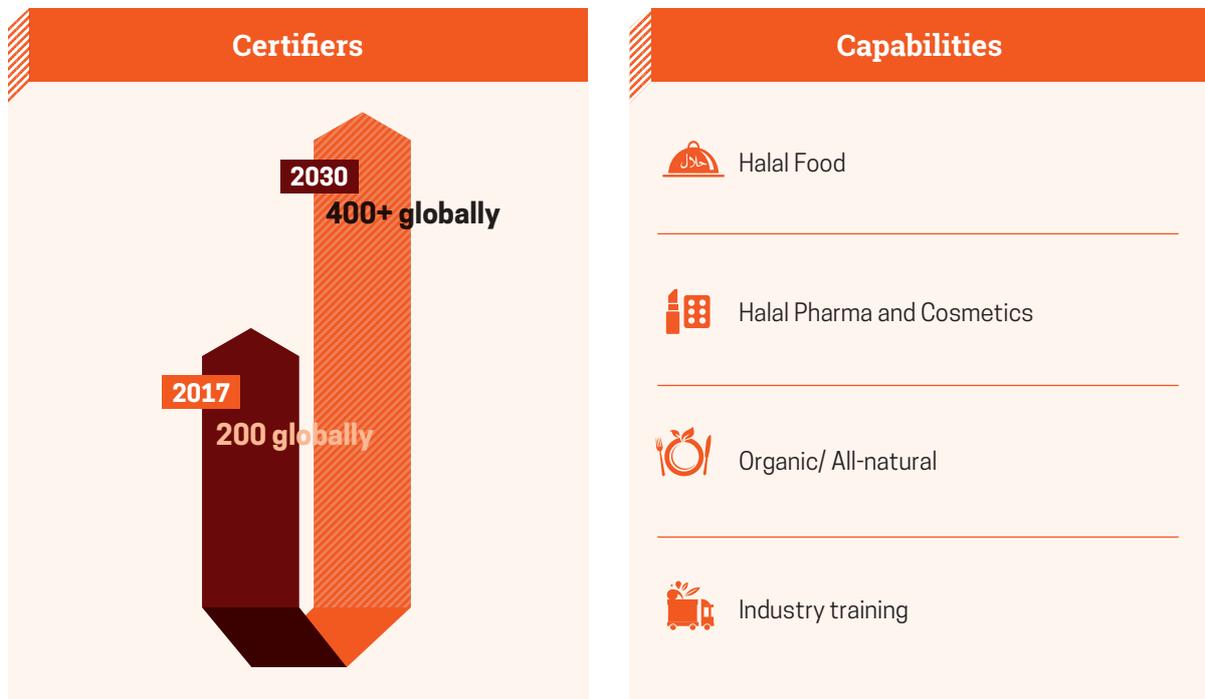
- **Globally, there are over 350 certifiers with limited oversight:** The current Halal regulation lags behind other segments of the food industry³⁸
- **If current accreditation initiatives are capitalized on, there will be a substantial upgrade** to how the industry is regulated: The International Halal Accreditation Forum has started a process that could see a reduction in the number of certifiers, but an improvement in quality and the overall trust in certified products
- **Certifiers will also become more sophisticated,** with leading certifiers expanding scope in organic, and creating a premium “Halal organic” certification



³⁸ Salaam gateway. 2016. Resolving the current inefficiencies in the global regulation of Halal Food. *Salaam Gateway - Halal Industry*.

Picturing Halal Regulation in the Future

Robust Halal certification system



Islamic Finance in 2030

✔ OPPORTUNITY

BANKS: A fully-fledged Islamic Corporate and Investment bank will emerge, with a global footprint.

- ▾ **Market trajectory:** The Islamic Banking industry has already reached \$1.6 trillion in total assets in 2016, but continuing on its current annual growth trajectory of over 10 percent, the market would exceed \$3 trillion in 2030, and assume over 2 percent share of global commercial banking assets, exceeding \$160 billion in 2016
- ▾ **Following the trajectory of recent M&A and global expansion activity, a global integrated Islamic Bank will emerge,** with \$5 billion an achievable benchmark in revenues that would yield less 0.5 percent market share
 - The sector is already showing promising signs of truly global players emerging, with Bahrain’s Al Baraka merging with Pakistan’s Burj Bank,³⁹ and National Bank of Abu Dhabi PJSC and First Gulf Bank PJSC merging⁴⁰
 - As M&A activity intensifies, leading players are likely to follow the trajectory of leading global banks, venturing into a broad array of financing services, including trade, commercial, and advisory, with sovereign wealth funds and private investment playing a critical role in the journey.

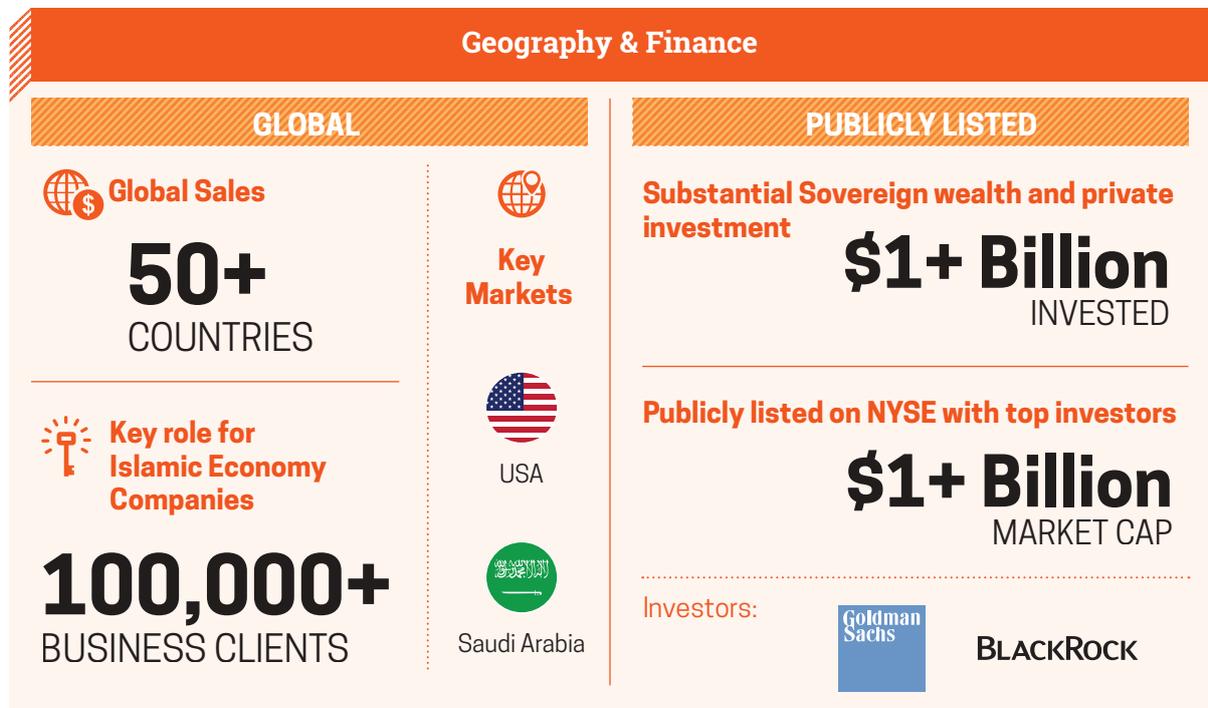
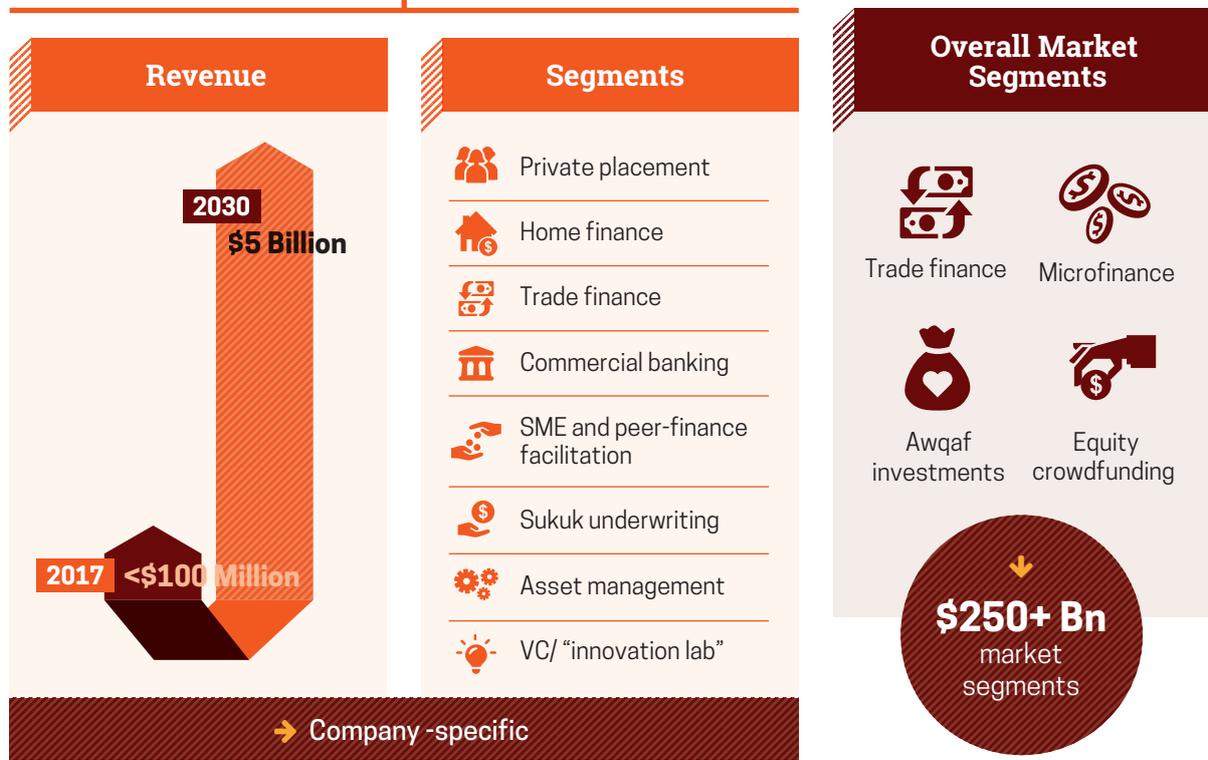


39 Torchia, A. 2016. Bahrain's Al Baraka to merge unit with Pakistan's Burj Bank. *Reuters Deals*.

40 Sharif, A. 2017. Abu Dhabi's \$180 Billion Lender to be Named First Abu Dhabi Bank. *Bloomberg News*.

Picturing the Islamic/Participation Bank of the Future

Fully fledged Islamic bank with multiple capabilities



✔ OPPORTUNITY

GLOBAL CENTERS FOR ISLAMIC FINANCE: Non-OIC countries will compete with the OIC, creating a robust ecosystem.

- **Currently, Islamic Finance is dominated by the GCC and Malaysia:** The top ten countries in the Islamic Finance Indicator have been OIC countries, not surprisingly, due to the substantial higher demand for Islamic Finance across the OIC
- **However, the dynamics will change as non-OIC countries get involved:** The U.K. has substantial potential post-Brexit⁴¹ to establish a robust Islamic Finance industry, with Canada⁴² following suit. As the market matures, an ecosystem will emerge mirroring the conventional finance industry, with education and global exchanges a critical component.

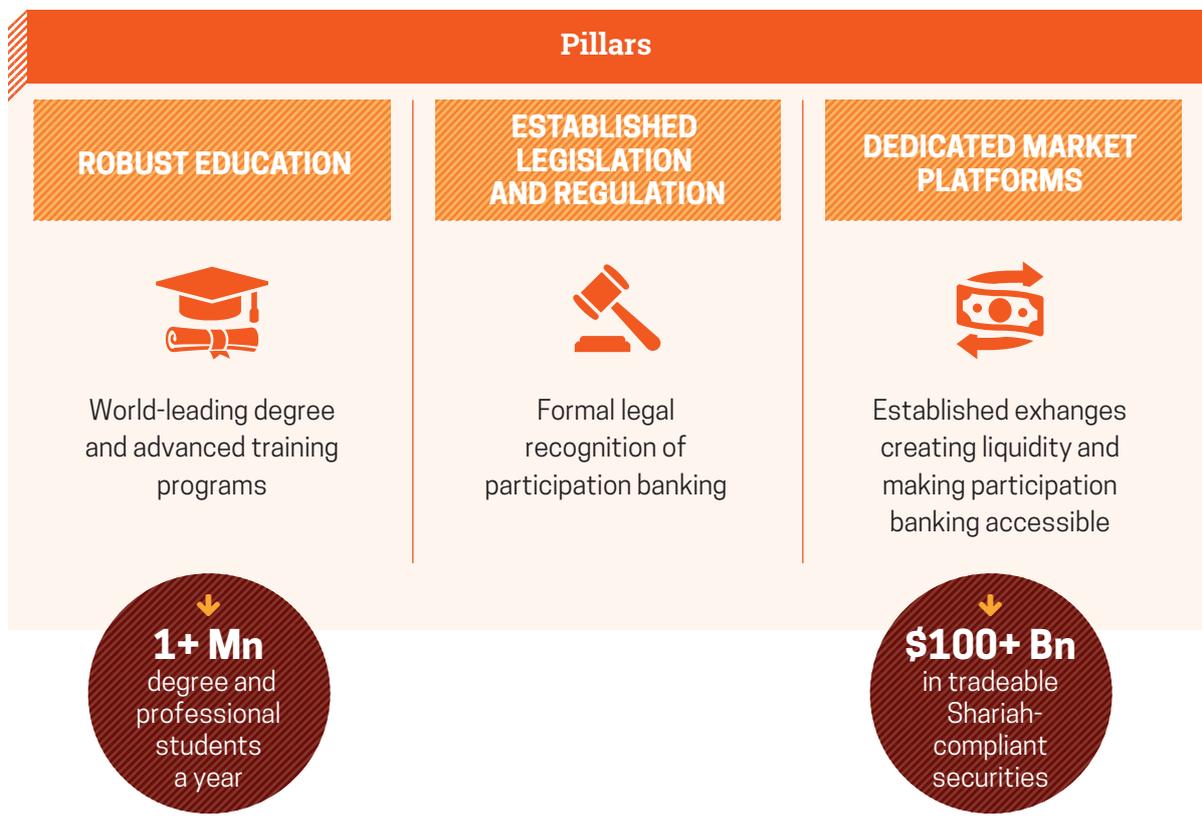
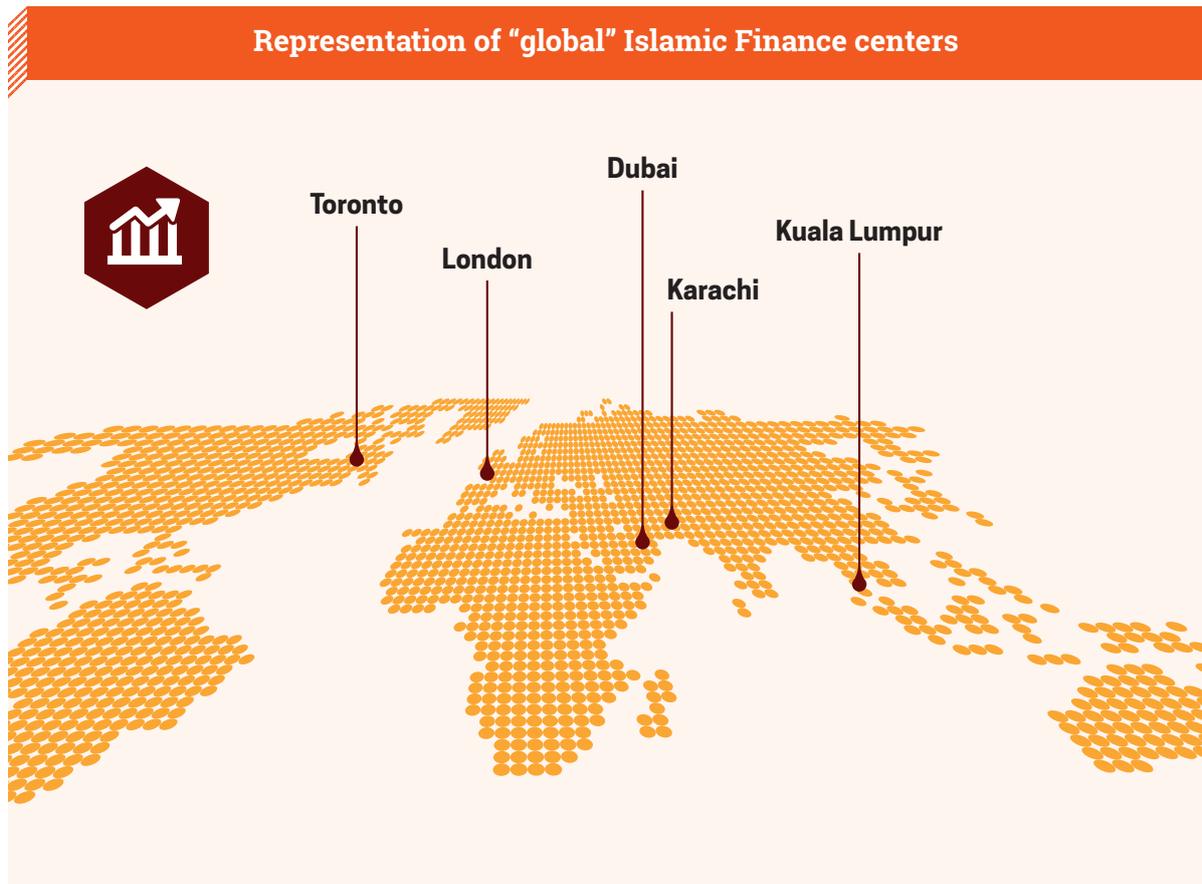


The bank district of central London, UK.

41 Rosli, L. 2016. UK keen to collaborate with Malaysia on Islamic finance. *Salaam Gateway - Islamic Finance*.

42 Ahmed, T. 2017. Canada Islamic finance: All ambition and no action?. *Salaam Gateway - Islamic Finance*.

Picturing the Global Islamic Finance Industry in the Future



✔ OPPORTUNITY

REGULATION AND EXCHANGE: Harmonized regulation will enable the rise of global Islamic Banks and precipitate a global exchange rivaling the NYSE and FTSE.

- **A harmonized regulatory system will emerge:** Following recommendations from the IMF in 2015, as leading companies emerge, the momentum will be created to align standards, and create national central Sharia boards that will cooperate on a global scale⁴³
- **A global exchange will be created rivaling the NYSE and FTSE,** attracting leading global enterprises, the public sector and high growth social enterprises looking to raise finance in a responsible manner. Such an exchange will be able to cater to at least 1 percent of the Islamic Finance industry in terms of assets.

Picture Islamic Finance Regulation and Exchanges of the future

Global Alternative Islamic Finance Ecosystem



⁴³ Kammer, A., Norat, M., Pinon, M., Prasad, A., Towe, C., and Zeine, Z. *Islamic Finance: Opportunities, Challenges, and Policy Options* — Staff Discussion Notes.

Islamic Lifestyle in 2030

✔ OPPORTUNITY

COMPANIES: Multi-billion dollar scaled enterprises across the Islamic Lifestyle Sectors.

- **Halal Travel will see the creation of unicorns in the travel sector:** Booking and peer-to-peer sites serve as a critical access point for Muslim travelers, seeking to connect with businesses and homeowners, and can extend their reach to non-Muslim travelers tied together with common family-friendly values. Such growth will be aided by standardized regulations on addressing Muslim needs, and will spark interest and ultimately acquisitions by leading travel platforms
- **Scaled multi-billion-dollar Modest Fashion enterprises will be created:** Building on the success in investments over the past few years, and expansion of online retailers such as Aab, the sector will attract increasing Private Equity investment, spurring substantial M&A, product development and the creation of global, leading Modest Fashion brands in the next 10-15 years
- **Halal Media and Recreation enterprises can become global conglomerates with the right support:** Supported by government funding, and building on Malaysia's experience, media companies can emerge that have diverse genres and formats that address the needs for digitally-enabled Islamic Education that the social listening has highlighted.



Turkey's International Modest Fashion Week.
Tolga Sezgin / Shutterstock.com





Halal Food Sector

What Muslims are allowed to eat and drink have been core tenets of Islam since the Holy Quran was revealed to the Prophet Muhammad (PBUH). In the modern world, what humans consume has become increasingly fraught due to commercialization, industrial farming and malpractice.

Food that could be easily traced to its source — from farm to fork — has become a rarity due to ingredients being sourced from all over the world. This has been a cause of concern for Muslims to ensure their food is Halal, or permissible, but also Tayyib, or pure. Muslim populations globally spent an estimated \$1.24 trillion on food and beverage (F&B) in 2016, a growth of 6.2 percent from the previous year, and is expected to reach \$1.93 trillion by 2022, a CAGR of 7.6 percent from 2016.

With 1.7 billion Muslims worldwide, and sizable, as well as increasingly affluent Muslim communities in Muslim-minority countries, companies have responded to the demand for Halal Food and beverage (F&B). At the same time, there has been convergence with the demand for quality food by non-Muslim consumers wanting organic and sustainably sourced food. This has led to Halal Food being increasingly popular among non-Muslims, such as in China and Europe, while Halal Food manufacturers are catering to the trend for both religiously-permissible food and organic food. This has been a recipe for success in many markets, particularly in the U.S. and the U.K.

New entrants continue to launch new products and ranges, while multinationals are also offering Halal-certified ingredients and products, enabling the overall Halal Food ecosystem to develop further.

Multinationals have equally made major investments in OIC markets, such as Unilever investing \$33.3 million in its Halal operations in Southeast Asia. Private Equity investment and sovereign wealth funds have also been particularly active in funding Halal Food companies.

Indicative of the sector's maturity is that product offerings have expanded way beyond Halal meat to include Halal candy, ready-made meals, snacks and children's food. Halal Food products are now widely available on supermarket shelves throughout the world, with popularity further driven by online retailers. The potential of online sales is being bolstered by the likes of e-commerce site Aladdin Street signing a five-year partnership with soccer team Manchester United.

Despite such positive developments, the lack of a universal Halal standard has held back the sector's expansion. However, efforts are underway to harmonize the Halal accreditation practices, such as the International Halal Accreditation Forum being established in the UAE in 2016.

With Muslim spend on F&B growing at nearly double that of global growth, the sector presents substantial opportunities as Muslim consumers want more diversity in terms of cuisine, flavors and product offerings. With Muslim spending on F&B slated to reach \$1.93 billion by 2022, and the Muslim population exceptionally young and growing, Halal Food will remain a core driver of growth in the Islamic Economy.

HALAL FOOD

MARKET SIZE¹

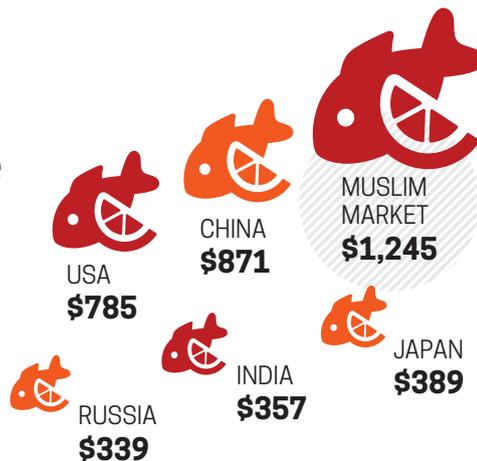
How Much does the Global Muslim Market Spend on Food?



BENCHMARK

How does Global Muslim Spend Compare to Total Global Spend on Food & Beverage?

(2016 est., US\$ Billion)



Total Muslim Spending (2016)



THE HALAL FOOD INDICATOR

Which Countries have the Best Developed Ecosystem for Halal Food and Beverage?

*CRITERIA (From a total of 73 select countries)

1. Trade OIC Food Trade Relative to its size
2. Governance Regulation/Certification requirements
3. Awareness Media/Events
4. Social Food Price Index



1. Covers food & non-alcoholic beverage expenditure; Expenditure data baselined from 2011 International Comparison Program + National Statistics Agencies. See Report for full methodology. DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2014 Database for projections. | 2. Source: DinarStandard Industry value chains; aligned with International Harmonized Code (HC) Covers animal products, vegetable products, and processed food minus swine, spirits, tobacco. Not included: retailers/other distribution channels, machinery, supporting inputs, logistics, support services (eco-system). | 3. Source: Global Organic Foods & Beverages Market Analysis By Products, Geography, Regulations, Pricing Trends, & Forecasts (2010 - 2015), MarketsandMarkets. *OIC: Organization of Islamic Cooperation - 57 member countries

FOOD TRADE BY OIC COUNTRIES² OIC Markets Food Imports Breakdown (2016 est., US\$ Billion)



47.7%*
Vegetable Products

IMPORTS \$79.5
EXPORTS \$57.2
DEFICIT \$(22.32)



33.2%*
Food Processing/Manufacturing

IMPORTS \$55.3
EXPORTS \$41.3
DEFICIT \$(14.01)



19.1%
Animal & Animal Products*

IMPORTS \$31.8
EXPORTS \$15.9
DEFICIT \$(15.90)

* (% of 2016 imports)

TOP MARKETS BY SIZE

Top Muslim Consumer Food Expenditure Markets (2016 est., US\$ Billion)



Issues & Opportunities Map

Products & Markets

- Halal organic and healthy
- Emerging exporters
- Halal ingredients
- Halal baby food
- Online restaurant booking
- Halal food B2B and retail ecommerce
- Lack of global OIC brands

Consumer Needs Ecosystem

- Influence / social media
- Non-Muslim consumers
- Sponsorships
- Increasing retail availability
- Halal labelling fraud
- Negative media Backlash

Financing

- Halal company IPOs
- Halal Food sukuk/debt
- Crowdfunding
- Startup accelerators
- Shariah-compliant trade finance
- Halal food equity investments
- Lack of global OIC brands

Policies, Regulations & Investment

- Emerging Halal accreditation
- Halal Food incubators
- Halal parks
- High cost operations
- Anti-stunning legislation
- Limited standardization

Opportunity Challenge

Selected Key Players

Meat Suppliers

BRF (Brazil)
Crescent Foods (USA)
Euro Quality Lambs (UK)
Halal Exotic Meats (UK)
Honest Chops (USA)

Distribution Channels

Dagang Halal (Malaysia)
Halaleat.com (UK)
Halal Dining Club (UK)
Marrybrown (Malaysia)
Kudu (Saudi Arabia)

Retailers

LuLu Hypermarket (UAE)
Carrefour (France)
Tesco (UK)
BIM (Turkey)
Marrybrown (Malaysia)

Regulatory

Emirates International Accreditation Council
GCC Accreditation Council
Pakistan National Accreditation Council
JAKIM (Malaysia)
MUIS (Singapore)

Emerging Halal Brands

The Halal Guys (USA)
Honest Chops (USA)
ieat (UK)
Chicken Cottage (UK)
Al Islami (UAE)

Halal Food Indicator

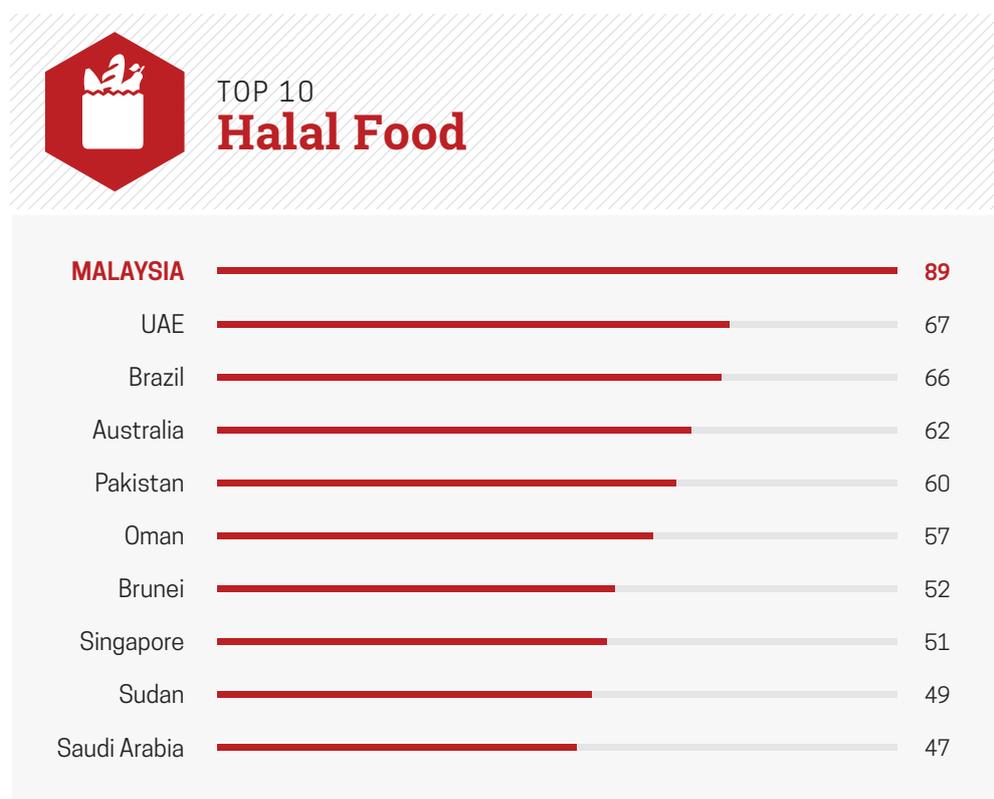
The 2017 *State of the Global Islamic Economy* Report revisits the Halal Food Indicator (HFI) to evaluate countries' health and development of their Halal Food ecosystem. The indicator does not focus on the overall size and growth trajectory of countries in the Halal Food sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

Malaysia, the UAE and Brazil lead the Halal Food indicator ranking that focuses on the health of the Halal Food ecosystem a country has relative to its size and including its related social considerations.

The Indicator equally weights four metric categories and has the following metrics for each (full methodology is presented in the Appendix.):

- ↳ Supply drivers relative to country size (Meat/Live Animal exports to OIC countries)
- ↳ Governance (Halal regulations and certification requirements)
- ↳ Awareness (number of related news articles and events)
- ↳ Social (food pricing index)

The top ten countries in the Halal Food Indicator



Halal Food	Sector Score	Meat exports to the OIC, \$ millions	Governance Score	Awareness Score	Social Score	GIE Ranking
Malaysia	89	15	100	194	58	1
United Arab Emirates	67	81	67	0	54	2
Brazil	66	4280	100	108	46	22
Australia	62	1982	100	10	53	19
Pakistan	60	200	100	0	57	6
Oman	57	235	100	22	48	5
Brunei	52	1	100	46	74	9
Singapore	51	102	100	12	50	13
Sudan	49	498	67	7	65	14
Saudi Arabia	47	226	100	15	53	3

Malaysia now leads

Malaysia has resumed its leadership of the Global Halal Food rankings, primarily due to a substantial increase in its awareness score, driven by a doubling in the number of articles discussing Halal Food, and a total of six Halal Food related events. While still modest, the Financial Score, which reflects relative exports to the OIC, has doubled.

UAE ranked second and Brazil ranked third

The UAE has seen notable progress in establishing itself as a reference point for the global regulation of the Halal Food industry. Brazil shares third place in the rankings, due to an overall increase in the relative size of its food and beverage exports to the OIC.

Australia and Pakistan cut it close

Australia has lost ground to Malaysia and Brazil, primarily due to a drop in the awareness score, with less press coverage of Halal, while Pakistan has maintained its scores from last year, with a notable improvement in OIC-related exports.

Sudan, Brunei and Singapore enter the top ten, while Somalia, Qatar and Bahrain exit

Buoyed by strong exports to the OIC, Sudan has seen a substantial increase in its score, with Singapore benefited from strong improvements in export and awareness. Despite low exports, Brunei has also benefitting from a substantial improvement in awareness of Halal Food.

Halal Food Market Sizing

“Muslim spend on Food and Beverage continues to grow strong, showing 6.2 percent growth from 2015.”

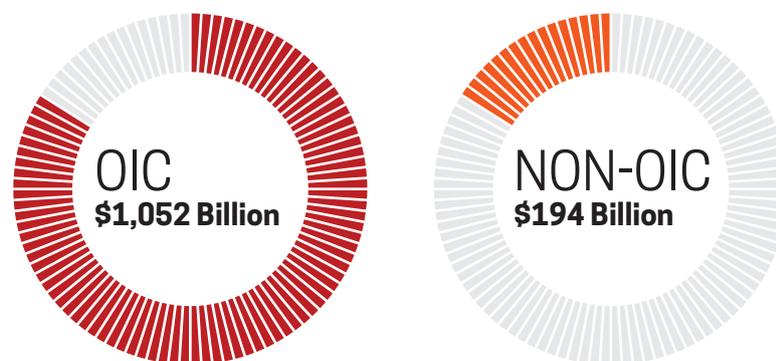
Market size and profile — Global Muslim consumer spending on Food and Beverage reached \$1.24 trillion in 2016 (17 percent of global expenditure).

This Report estimates Muslim populations globally to have spent a total of \$1.24 trillion on food and beverage (F&B) in 2016, 17 percent of the global market expenditures, totaling \$7.3 trillion. This is a growth of 6.2 percent from the previous year, and compares very favorably to the global market growth of 3.7 percent. Muslim spending on F&B is expected to reach \$1.93 trillion by 2022, a CAGR of 7.6 percent from 2016.

The Muslim market for F&B ranked first is China (\$871 billion), ahead of the U.S. (\$785 billion), Japan (\$389 billion), and India (\$357 billion).

Muslim countries with the highest spend on F&B in 2016 were Indonesia (\$170 billion), Turkey (\$121 billion), Pakistan (\$112 billion), Egypt (\$81 billion), Bangladesh (\$71 billion), Iran (\$61 billion), and Saudi Arabia (\$51 billion).

Breaking down and referencing Muslim spend in 2016





Men selling halal meat at their stall in Chow Kit Road, Malaysia. ENCIK KOPI O / Shutterstock.com

Key Developments in 2016/17

The emergence of new players, brands and segments

E-commerce is becoming an important distribution channel in Halal, supported by Halal logistics operations

- Singapore's biggest all Halal-certified foods supermarket **MyOutlets** launched its global e-marketplace Haladeen¹
- Japan's **Nippon Express** is offering Halal Food logistics services to cater to growing Asian demand²

The intersection with Healthy and Organic is giving rise to a high-growth segment within Halal

- According to the USDA, there were over 27,000 certified organic operations globally in 2015³
- There is a rapid emergence of organic and Halal Food offerings in non-OIC countries by companies including Honest Chops (U.S.), Halal Exotic Meats (U.K.), and Willowbrook Farm (U.K.)⁴
- Haloodies, a U.K.-based Halal food brand launched healthy and convenient Halal products in 2016⁵

Increasing industry maturity

Leading multinationals are deepening their involvement in the Halal Food Sector, and retailers are seeking to address the opportunity

- Meat company Banvit (Turkey) was acquired by BRF and Qatar's sovereign wealth fund in a \$470m joint venture in 2017⁶
- **Unilever** invested Php 1.7 billion (\$33.3m) in a manufacturing plant in Cavite, Philippines to support Halal operations in Southeast Asia⁷
- The U.K.'s **Asda's** has opened Haji Baba Halal butcher meat stands in a number of outlets⁸

Halal Food companies are showing important signs of maturity through product, marketing and market expansion

- Halal e-commerce firm **Aladdin Street** has announced a five-year sponsorship agreement with the U.K.'s **Manchester United soccer team**⁹
- Leading New-York based **Halal Guys** have expanded across the U.S., and seeking to develop 400+ franchise restaurants globally¹⁰
- Leading U.S. Halal poultry supplier **Crescent Foods**, has expanded its products portfolio by adding lamb, goat and value added products¹¹

1 Haladeen Company. 2017.

2 Nippon express. 2017. Nippon Express (Malaysia) acquires halal warehousing certification.

3 Alonzo, A. 2015. Organic Growth - 27,000+ Certified Organic Operations around the World.

4 Akhtar, A. 2015. Honest Chops - Manhattan butcher shop making halal all-American. *Salaam Gateway - Halal Industry*.

5 Haloodies company. 2017. Halal Food to Go: Why we love the new meat snacking craze.

6 Haynes, B. 2017. BRF and Qatar to buy Turkish poultry firm Banvit in \$470 mln venture. *Reuters Market News*.

7 Richmond, M. 2017. Unilever aims to be halal hub in Southeast Asia. *Philstar Global Business*.

8 McDonald, A. 2016. High Wycombe Asda welcomes halal butcher counter. *Meat Trades Journal*.

9 Manchester United. 2017. Aladdin Group Partners With United.

10 Baker, M. 2016. The Halal Guys Nationwide Expansion by the Numbers - Chain Store Guide. *Chain Store Guide Industry News*.

11 Crescent Foods. c2014. Crescent Foods Website.

Non-OIC countries are increasingly seeking to address the Global Halal Food trade and tourism opportunity

- **South Africa's** Western Cape government plans \$304,500 in investments to help entrepreneurs complete its Halal supplier development program¹²
- **Mexico's** beef exporters are looking to Muslim markets to reduce U.S. dependence¹³
- **Canada's** Halal Food sales have been increasing at 10-15 percent per year¹⁴

Investment and operational trends

Incubators and logistics parks are emerging to support the development of high potential Halal Food propositions

- Spain plans to set up a **Halal cluster in Cordoba**, hosting companies producing Halal products¹⁵
- **Asiabio Capital**, a technology incubator, has agreed to collaborate with companies in China to produce and market Halal-certified foods globally¹⁶

Sovereign wealth funds and Private Equity firms are playing an increasingly important role in the Halal Food Sector

- Sovereign wealth funds are in talks with **BRF** over a private stake sale in Halal subsidiary, One Foods¹⁷
- A number of Halal investments funds are in development

Regulatory trends

International Halal Accreditation has taken one step close to reality, with efforts underway by key OIC countries to support standardization and mutual recognition

- **The UAE-led International Halal Accreditation Forum (IHAF)** was set up with 27 global accreditation bodies as members, and held its inaugural session during 2017¹⁸
- Malaysia has developed the **Malaysia International Halal Authorities and Bodies System (MyIHAB)** to establish an International Halal Accreditation Board in the near future, although it is unclear how this works together with IHAF.¹⁹

Halal Food fraud continues to be a problem, however, with continued confusion around Halal certification requirements for export

- Fifteen businesses in **New Jersey**, U.S. were found in violation of Halal practices²⁰
- Two men in the **U.K.** were jailed for fraudulently labeling 160,000 kilos of non-Halal turkey as Halal²¹
- **Brazil** has lodged claims with the WTO challenging restrictions posed due to **Indonesia's** Halal certification requirements.²²

12 Salama. 2017. South Africa: W Cape plan to kickstart Halal development programme. *Halal Focus*.

13 Garcia, D., and Waters, T. 2017. Mexican beef exporters look to Muslim markets as US alternatives. *Reuters Intel*.

14 Abraham, L. 2017. Halal food market surging in Canada. *Metro News Toronto*.

15 Instituto Halal. The Halal Institute participates in the creation of the Cordoba Halal Cluster. 2017. Instituto Halal Website.

16 Mahpar, M. 2017. AsiaBio eyes halal product export venture with Chinese firms. *The Star Online Business News*.

17 Parra-Bernal, G., and Bautzer, T. 2017. Exclusive: Brazil's BRF mulls options to halal unit IPO - sources. *Reuters Deals*.

18 International Halal Accreditation Forum. 2017. *lhaf.org.ae*.

19 Bernama. 2017. MyIHAB to integrate online registration with Jakim's database. *The Star Online Business News*.

20 State of New Jersey, (2017). *As Ramadan Approaches, New Jersey Division of Consumer Affairs Enforces Regulations Protecting the Halal-Buying Public*.

21 Gibson, S. 2017. Businessmen who sold turkey but claimed it was halal lamb 'betrayed all Muslims'. *The Mirror*.

22 Aria, P. 2016. Brazil Challenges Indonesia's Halal Certification Policy. *Tempo.co*.

Opportunities and Challenges

Summary: Halal Food can reach its full potential with the help of Private Equity, and that potential is very exciting — stretching across multiple fast growth sectors, but the industry is held back today by a lack of streamlined regulation and limited available financing where, unfortunately, the story hasn't changed much since 2016.

✔ OPPORTUNITIES

⚠ CHALLENGES

1. FINANCE WILL PLAY A CRITICAL ROLE IN THE GROWTH OF THE HALAL FOOD INDUSTRY

- ✔ Private Equity investment will be a critical enabler for growth, providing essential capital for expansion across markets and product categories, and can create a multi-billion-dollar revenue player in the industry
- ✔ Robust opportunities exist to support the varied needs of the Halal Food industry, building on robust survey feedback in the 2016 report, with opportunities existing across Trade Finance, Working Capital and Capital expansion
- ⚠ However, the lack of available financing is a reality and could equally hold the industry back from development, with Private Equity a critical step in changing the ecosystem

2. INTER-SECTOR CONVERGENCE OPPORTUNITIES ARE RIPE

- ✔ Halal Food companies can become Halal Lifestyle conglomerates, with opportunities to expand into nutraceuticals and mimic the broad offering of Nestle, venturing into baby food, and a broad range of meat-based snacks. Further iterations could expand into Halal Hotels with Halal in-house dining

3. PRODUCT CATEGORY DEVELOPMENT OPPORTUNITY ARE RIPE, THOUGH INNOVATION IS LIMITED

- ✔ Halal ingredients is a critical area for expansion, with a wide-ranging need across manufacturing industries in Food, Pharmaceuticals and Cosmetics, which could lead to the creation of a multibillion dollar ingredients company

- ✔ The intersection of Halal and organic is set to intensify as Halal players show rapid growth, such as Honest Chops and Saffron Road, and as organic players address the ever-increasing demand for Organic Food in OIC countries, led by the GCC

- ⚠ However, limited product innovation is evident, partly due to a lack of financing, and can hold Halal Food back from embracing its potential, creating a void that will ultimately be partly addressed by multinationals, but the consumer will lose out if Halal companies do not expand aggressively enough

4. FREEZONES AND HARMONIZED STANDARDS WILL BE A KEY OPERATIONAL ENABLER

- ✔ Dedicated Halal Free Zones are emerging and will become a core mechanism for OIC countries to gain a foothold in the Halal Food Trade, contextualized by \$190 billion in food and beverage imports by the OIC in 2015

- ✔ Halal regulation, buoyed by recent efforts towards a global accreditation system, has the opportunity to become the gold standard in global food certification, venturing into organic and other specialty areas Challenges

- ⚠ However, the lack of harmonized regulations currently is a major inhibitor for industry growth, making a truly global Halal player a difficult reality to achieve unless standards are rationalized and there is greater oversight

- ⚠ Furthermore, the continued occurrence of major scandals is holding back the development of trust in the industry.



Trajectory and Roadmap

✔ OPPORTUNITY

PRIVATE EQUITY: Private Equity is a critical stepping stone for Halal companies to become global multi-billion-dollar enterprises.

1. THE CORE OPPORTUNITY IS AROUND EXPANSION CAPITAL AND GUIDANCE

There has been notable but limited Private Equity investments to date in Halal Food companies, but the Halal Food industry can develop substantially, leveraging the growth capital and value creation support

2. THE END STATE COULD BE A MULTI-BILLION-DOLLAR COMPANY

Halal Food companies could be multi-billion-dollar, publicly listed enterprises, with operations in key OIC regions. Private Equity firms would have played a critical role in helping such companies expand along product categories and into new geographical markets, addressing core Muslim consumer demand

3. EXAMPLES SHOW THE ROLE PRIVATE EQUITY COULD PLAY FOR THE INDUSTRY

There are several analogs that inform how Private Equity firms have played a critical role in the food industry

- ↳ **Private Equity investment has helped accelerate the growth of Kosher food companies:** Empire meat is one of the leading Kosher poultry suppliers in the U.S. and was acquired by a consortium of private investors in 2003, and following Private Equity ownership, doubled production capacity by 2009,²³ modernizing and expanding its production line, resulting in an annual revenue of over \$100 million²⁴
- ↳ **Notable investment has occurred in the high growth organic food industry, with Halal a reasonable next step:** U.S.-based North Castle Partners invested in Sprout Organic Foods Inc., a distributor of premium organic foods primarily serving the baby / toddler market in 2015²⁵
- ↳ **Halal is becoming an area of focus for Private Equity firms:** Notable investments include U.K.-based Janan Halal Meat which secured \$30 million in investment led by Kingsley Capital Partners in 2016,²⁶ and Kudu which secured a \$200 million investment by The Abraaj Group in 2015²⁷

²³ Failed Messiah, (2009). *Empire Kosher Doubles Production*.

²⁴ Heilman, U. 2011. Inside Empire's slaughterhouse: The life of a kosher chicken. Jewish Telegraphic Agency.

²⁵ North Castle Partners. 2015. North Castle Partners Invests in Sprout Organic Foods, Inc.

²⁶ Mergr. 2016. *Mergr.com*.

²⁷ The Abraaj Group, (2016). *The Abraaj Group and TPG invest in leading Saudi restaurant group, Kudu*.

“ Sustained Private Equity activity could have an enormous impact on the global Halal Food industry with the potential to accelerate growth and innovation, and by fostering infrastructure to allow global economies of scale.”

4. THE ROADMAP INVOLVES THE COORDINATED EFFORTS OF INVESTMENT FIRMS, GOVERNMENTS AND BUSINESSES

- **Private Equity firms must develop a Halal thesis:** Firms looking for growth and substantial returns are well-advised to explore the Halal market, where many firms are small in size and in need of substantial investment to meet proven global demand
- **OIC governments should link Private Equity investment with national objectives:** Sovereign wealth funds can play a critical role supporting investments in Halal Food companies, enabling those companies to play a bigger value-added role in the OIC region
- **Entrepreneurs must realize the importance of Private Equity and prepare a polished pitch and plan:** Many firms are committed to organic growth and don't appreciate the benefits of capital investment — a key role can be played by knowledgeable intermediaries to bring capital and entrepreneurs together.



Stakeholder Feedback

On the Roadmap:

- Support from the Islamic finance sector would be a major factor in enabling growth.

SYED ALI
CEO, Riz Global Foods (Canada)

On the End State:

- There are no global brands [in the Halal Food industry]. Probably in the East by 2030 there may be.

ABDALHAMID EVANS
CEO, Imarat Consultants (U.K.)

- Sustained Private Equity activity could have an enormous impact on the global Halal Food industry with the potential to accelerate growth and innovation, and by fostering infrastructure to allow global economies of scale. By 2030, Halal Food has the opportunity to be as prominent as other major food segments across all continents.

IMRAN KAUSER CEO, Haloodies (U.K.)

▲ CHALLENGE

CERTIFICATION: The critical challenge for Halal Food is the lack of a common set of standards and a clear accreditation mechanism for certifiers.

1. THE CORE CHALLENGE IS POSED BY MULTIPLE STANDARDS THAT AREN'T ALIGNED

With multiple, varying standards and a fundamental lack of alignment across certifiers, there is substantial operational confusion and complexity, which makes Halal Food a difficult industry to address

2. THE END STATE IN THE WORST CASE COULD BE A FRAGMENTED INDUSTRY

If not addressed, Halal may remain a niche and fragmented industry by 2030 if the substantial variation in standards is not addressed. Leading companies, while keen to address consumer demand, will be dissuaded from making a global effort due to variation by country in standards, and SMEs will struggle to expand into multiple markets due to complexity. The consumer will lose out, with substantial unmet needs despite initial enthusiasm around growth

3. EXAMPLES HIGHLIGHT SIGNIFICANT CONFUSION, WITH THE KOSHER INDUSTRY SHOWING THE POTENTIAL SOLUTION

- **The unnecessary complexity of Halal regulation has been widely acknowledged:** Regulatory issues were also highlighted during the 2017 IFANCA conference in Chicago, U.S., where the common theme was the challenge of meeting market demand while working to accredit Halal certification bodies.²⁸ Furthermore, according to Nestle, there are certain laws and Halal regulations that can cause confusion²⁹
- **The numerous cases of fraud highlight the need for a clear, widely accepted Halal logo, built upon a set of common standards:** Several cases of fraud occurred, including the labeling of pork imported into South Africa as Halal,³⁰ U.K.-based JKY Food Solutions pleading guilty for selling non-Halal chicken to an undercover trading standards officer in 2014,³¹ and Ireland-based Freeza Meats Ltd. was fined for fraudulently selling burgers that were falsely labeled as Halal beef products in 2015³²
- **Kosher food regulation in the U.S. started to mature in the 1930s** after evidence revealed 40 percent of the Kosher meat in major markets such as New York City, with 18,000 Kosher establishments, were not really Kosher.³³ As a result, over 300 private certifiers in the U.S. under common industry standards emerged to control the market and communicate through a forum known as the Association of Kashrus Organizations³⁴

28 Salama. 2017. USA: The Changing Paradigm in Halal Certification.

29 Abdulzاهر, M. 2015. INTERVIEW-Halal food standards too complex-Nestle. *Salaam Gateway - Halal Industry*.

30 BBC. 2011. South African Muslims furious at 'halal pork' scandal. *BBC News Africa*.

31 BBC. 2014. Birmingham butcher to pay £62,000 for false halal sale. *BBC News England*.

32 BBC. 2015. Food company Freeza Meats fined £70,000 costs. *BBC News N Ireland*.

33 Lytton, T. 2013. Kosher Certification as a Model of Private Regulation. Fall. *Cato.org*.

34 Lytton, T. 2013. Kosher Certification as a Model of Private Regulation. Fall. *Cato.org*

“Rationalizing Halal standards and enforcing accreditation globally will underpin the sectors growth”

4. THE ROADMAP TO RESOLVE THE CHALLENGE INVOLVES GLOBAL COORDINATION AND AN AWARENESS PUSH

- **Agree to a rationalized, common set of standards:** Regulators must agree on a common set of standards that allow for differences in consumer preference
- **Enforce accreditation globally:** Accreditation is gaining pace with the establishment of the International Halal Accreditation Forum in the UAE, but ultimately a globally accepted structure must be established where all certifiers are overseen and accountable³⁵
- **Educate the consumer:** Once a common set of Halal standards are achieved, a robust awareness campaign must be instituted so that consumers recognize authentic Halal certification, and fraudulent activity is easily identified and quickly reported.



Stakeholder Feedback

On the Roadmap:

- Certifiers need to defuse all their differences. They have the strongest position to do this work. Having just one standard will be difficult to achieve, but certainly, having an agreed set of standards is important so that consumers have the choice.

AHMAD ADAM
CEO, Crescent Foods (U.S.)

On the End State:

- More Muslim owned and non-Muslim owned companies will be authenticated by these unregulated bodies and become more confused and unsure of who to choose and which regulations to follow.

NOMAN KHAWAJA
Sales Director, Haloodies (U.K.)

³⁵ International Halal Accreditation Forum. 2017.



International Halal Accreditation Forum (IHAF)

Eng. Mohamed Saleh Badri
Secretary General, International Halal Accreditation Forum



Eng. Mohammed Saleh Badri is an Electrical Engineer having 30 years' experience in the field of Standardization and Infrastructure of Quality. He is currently holding the position of Secretary General for International Halal Accreditation Forum (IHAF) that is an international non government and non for profit organization that aims to assure full compliance of Halal requirement that consists of Safety, Quality, and Islamic Sharee'a. practices and enhance Halal trade globally by unifying Halal conformity practices

He is also serving as an Advisor to the Board of Directors for Emirates Authority for Standardization & Metrology (ESMA) in UAE — the UAE's sole National Standards Body that is responsible for formulation of policies, strategies, and management of UAE standards that contribute to protection of consumer safety & rights, environment protection, and enhancing the trade facilitation by issuing related standards and monitor its implementation on UAE level through development of schemes that are recognizable by international organizations and in line with the policies of WTO for TBT.

WHAT IS THE CORE NEED THAT IHAF IS TRYING TO ADDRESS?

Statistical reports furnished by leading and reputed institutes are revealing an exponential increase in the demand for Halal products, services, and systems. Due to this fast growing demand, the certifiers around the world are experiencing major expansion to include the services of testing, inspection, and certification of Halal products within their scope. It is clear that Halal practices must be managed adequately.

The OIC has recently revealed its interest for establishing a scheme that assures Halal products in the global markets. In its last conference that was hold in Jeddah, Saudi Arabia in Dec 2015, has drawn attention of the vital need to create an international

organization that assures the creditability of bodies providing Halal Services.

Accordingly, the UAE has established The International Halal Accreditation Forum (IHAF) based in Dubai through Dubai Islamic Economy Development Center (DIEDC) and Emirates Authority for Standardization and Metrology (ESMA). As a body that has Accreditation Bodies as their members is aimed to provide and maintain confidence in Halal certificates issued by Conformity Assessment Bodies who are involved in overall Halal schemes and Halal value chain, such certification bodies and inspection bodies.

WHAT DOES IHAF DO?

IHAF main objective is to establish multi-lateral agreements between its members



to recognize and accept each other's Islamic Sharia Compliance Results. With this agreement, a product that has been certified for Halal compliance in one of the member countries shall be accepted by all other member countries.

This will result in removal of duplication in Sharia verification, testing, and certification, and therefore facilitate the Halal trade between the members. By streamlining the accreditation, certification and monitoring processes, IHAF also facilitates cost-effective accreditation; thereby producing cheaper halal goods and promotes accessibility to global markets for halal-related firms.

WHAT HAS IHAF ACCOMPLISHED SO FAR?

IHAF is ceaselessly working toward increasing the network of countries adopting unified halal accreditation practices, which is critical to ensure sustained growth and enhancing the credibility of halal sector, given its rising popularity worldwide. With the approval of the new member, the number of IHAF members that has reached 27 accreditation bodies is expected to be doubled within two years.

Accreditation bodies from UAE, Saudi Arabia, Egypt, Pakistan, India, Thailand, Philippine, Mexico, Brazil, Argentina, USA, UK, Australia, New Zealand, Hungary, Italy, Nigeria, Kazakhstan, Kuwait, Morocco, Libya, Jamaica, and Spain have joined IHAF, and many other Arab countries, Islamic and non-Islamic countries are in process of memberships.



The Mosque of the Martyrs (Turkish Mosque) and Flame Towers behind it, Turkey. Ramin Hasanalizade / Shutterstock.com



Islamic Finance Sector

In monetary terms, Islamic Finance is the largest sector of the Islamic Economy. Long misunderstood and under-developed compared to the conventional financial sector, Islamic Finance has come into its own over the past decade, evolving and maturing year-on-year. Indeed, Islamic Finance players scoff at the notion that the sector is still in its nascency, rightly pointing out \$2.2 trillion in assets and strong capitalization. This is a 10% increase from 2015, and assets are expected to grow by 9.4% CAGR to reach \$3.8 trillion in 2022.

The sector's Sharia-based foundations assert Islamic principles, which continues to attract new clients, both Muslims and non-Muslims, that are looking for more ethical ways to bank and finance projects. Pushing such development are governments encouraging Islamic Finance to bolster financial inclusion, notably the Reserve Bank of India in 2017 to better cater to the country's 170 million Muslims.

OIC countries are increasingly using Islamic Finance to raise billions of dollars in funds, with Saudi Arabia issuing the first global sukuk worth \$9 billion rated A+/stable by ratings agency Fitch, Tunisia preparing its debut sukuk issuance, and Nigeria to launch its maiden sovereign sukuk. Non-OIC governments are also utilizing the sector, such as the Government of Hong Kong listing a \$1 billion sukuk on Nasdaq Dubai.

The sector continues to be dominated by Malaysia, the UAE and Bahrain, which have all retained the same top three spots as in previous indicator rankings. Strong regulatory frameworks have been accompanied by the broadening of existing standards and regulations, especially in the GCC countries, which are solidifying their position as Islamic Finance hubs. The UAE in particular is making a major push to be the center of the Islamic Economy, reflected in the world's first Islamic trade finance bank to be established in Dubai.

One of the core strengths of Islamic Finance is its willingness to address global development needs and support SMEs, notably the Indonesian Financial Services Authority and the Islamic Development Bank launching new initiatives, and Malaysia launching a \$100 million Islamic venture capital fund. Such moves are highly significant for countries with sizable Muslim populations such as Indonesia, Malaysia, Pakistan and India, where more than 50 percent of economic activity is generated by SMEs.

Bolstering the sector's competitiveness and viability versus the conventional financial sector is the heightened adoption of digital banking and FinTech. Notable developments, achieved via crowdfunding campaigns, include the world's first Sharia-compliant robo-advisory firm, and the first Sharia-compliant gold platform.

Meanwhile, Islamic insurance (Takaful) and other financial products such as Murabahah and Waqf, continue to expand as new markets open up throughout the world.

ISLAMIC FINANCE

MARKET SIZE

How big is the current Islamic finance market assets?*



*Does not include undisclosed assets of most Islamic windows

How big is the current Islamic banking assets?*

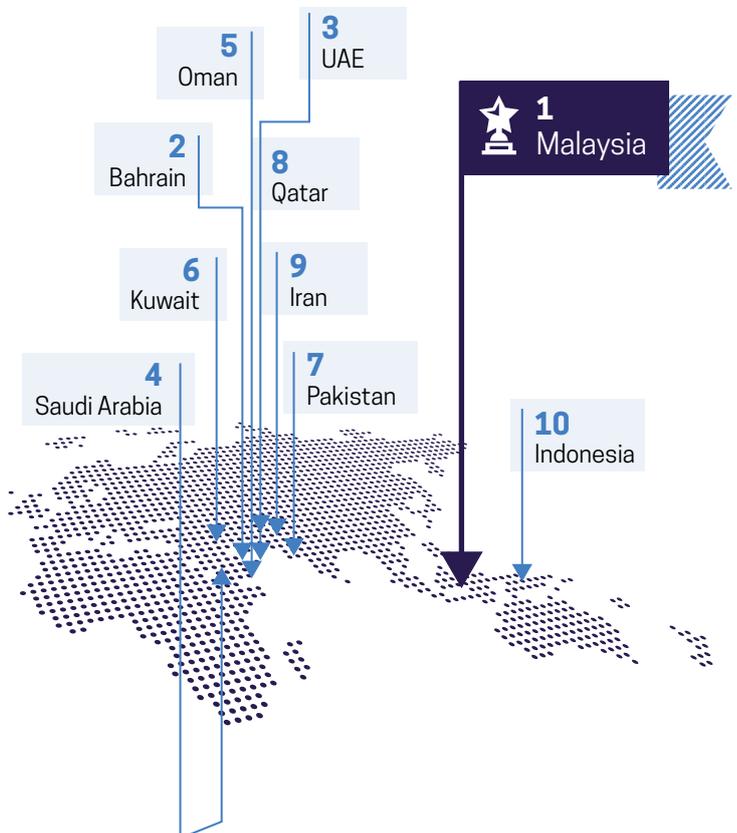


THE ISLAMIC FINANCE INDICATOR

Which countries have the best developed Islamic economy for Islamic finance?

*CRITERIA (From a total of 73 select countries)

1. Financial (Size Islamic Finance Assets and Number of Islamic Finance Institutions)
2. Governance (e.g. Regulations for Islamic Finance and Disclosure Index Score)
3. Awareness (Number of related News Articles, Islamic Finance Education Institutions, Research papers, and events)
4. Social (Value of Zakat and Charity and CSR Disclosure Index Score)



Islamic Finance Segments Current State (2016, US\$ Billion)

\$2,202 Bn
Total



(2016, US\$ Billion)
\$1,599 Bn
Islamic banking assets



\$43 Bn
Takaful /
retakaful assets



\$124 Bn
Other Islamic
Financial Institutions



\$345 Bn
Value of Sukuk
outstanding

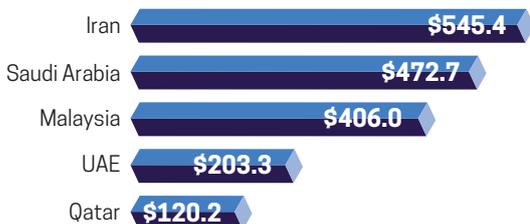


\$91 Bn
Net asset value
of Islamic funds

TOP MARKETS BY SIZE

Top Islamic finance markets

(2016 est., US\$ Billion assets)



Issues & Opportunities Map

Products & Services

- ✓ Broadening Islamic Capital Market for SME
- ✓ Savings: improving institutional investors by creating Islamic pension fund
- ✓ Disruptive finance: Fintech and Islamic financing
- ✓ Increased role of Islamic micro-finance
- ✓ Increased role of Islamic Social finance

Consumer/ Business needs and Ecosystem

- ✓ Demographic dividend and the rise of middle class Muslim
- ⚠ SME: Limited accessibility to Islamic financial institutions
- ⚠ High youth unemployment
- ⚠ New normal era: slower economic growth and low commodity prices

Financing

- ✓ Global integration of OIC markets through Islamic trade finance
- ✓ Sukuk as the instrument for budget deficit
- ✓ South East Asia: the rise of Islamic venture capital
- ✓ Capital market: Corporate Sukuk as the alternative of financing
- ✓ Emerging Central Asian sovereigns and European banks

Policies, Regulations & Investment

- ✓ Regulatory reforms in MENA amid low oil price
- ✓ Branchless banking focusing on financial inclusion
- ✓ Rising Islamic Bank Profitability
- ⚠ Lower oil prices
- ⚠ Rising NPF of Islamic banks
- ⚠ Liquidity Management

✓ Opportunity ⚠ Challenge

Selected Growth Indicators



1,407
Islamic Finance Institutions



21,964
Islamic Finance news items



1,075
Islamic Finance sharia scholars



2,438
Outstanding Sukuk



417
Islamic Finance events



1,394
Islamic Funds

Islamic Finance Indicator

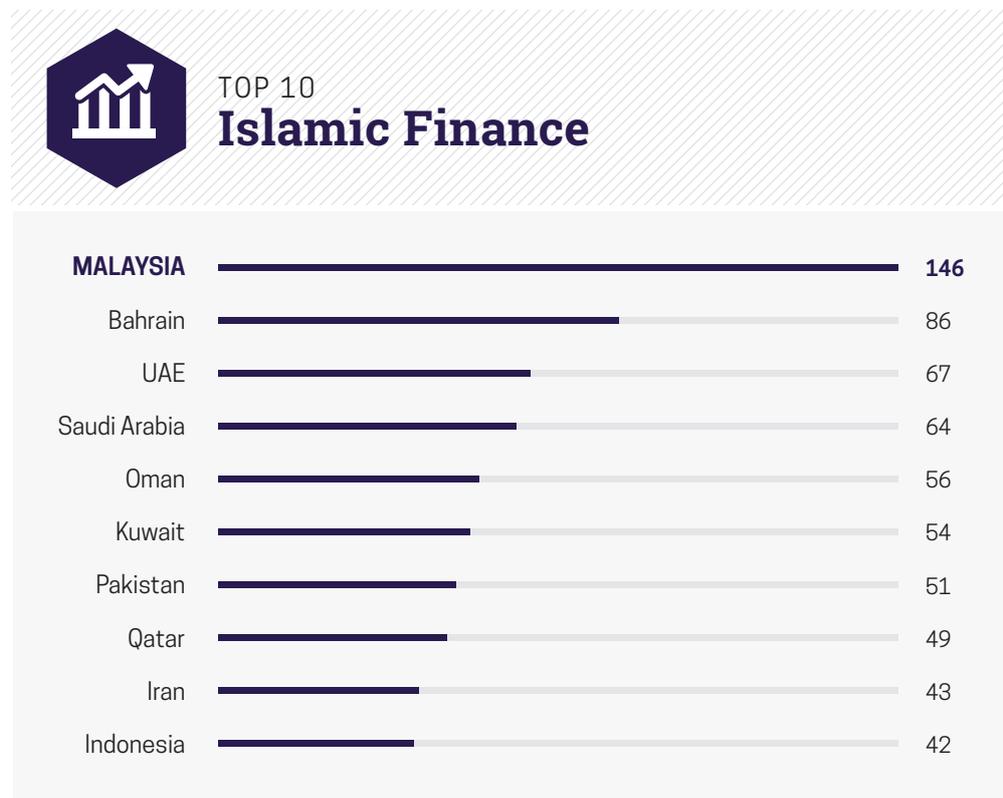
The 2017 *State of the Global Islamic Economy* Report revisits the Islamic Finance indicator to evaluate countries' health and development of their Islamic Finance ecosystem. The indicator does not focus on the overall size and growth trajectory of a country in this sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

Malaysia, Bahrain and the UAE lead the Islamic Finance indicator ranking that focuses on the health of the Islamic Finance ecosystem in a country relative to its size and including its related social considerations.

The ranking was calculated according to four criteria:

- ↳ Financial (e.g. size of Islamic Finance assets and number of Islamic Finance institutions);
- ↳ Governance (e.g. regulations for Islamic Finance and disclosure index score);
- ↳ Awareness (e.g. number of related news articles, Islamic Finance education institutions, research papers, and events); and
- ↳ Social (e.g. value of Zakat and charity and CSR disclosure index score).

The top ten countries in the Islamic Finance indicator



Islamic Finance	Sector Score	Financial Score	Governance Score	Awareness Score	Social Score	GIE Ranking
Malaysia	146	280	111	341	41	1
Bahrain	86	54	112	134	53	4
United Arab Emirates	67	63	70	147	71	2
Saudi Arabia	64	102	36	49	149	3
Oman	56	9	85	75	67	5
Kuwait	54	65	59	51	53	8
Pakistan	51	24	80	86	33	6
Qatar	49	45	41	72	61	7
Iran	43	120	27	14	10	12
Indonesia	42	27	73	43	27	11

Malaysia continues to be a global hub **GCC Countries**

Malaysia continues to lead the indicator ranking, and is a well-developed global hub for Islamic Finance. Malaysia has a leading ecosystem for Islamic Finance, evidenced by a large asset base, strong governance, and very high awareness and interest in the sector.

All GCC countries continue to maintain their presence in the top ten, reflecting the bloc's strength in Islamic Finance, dominated by a substantial asset base in each country.

Bahrain and the UAE trade places

Bahrain has resumed its second place in the Islamic Finance rankings, due primarily to a notable improvement in its governance, underpinned by an improvement in its perceived transparency with investors.

The UAE has been overtaken by Bahrain in the rankings for this year, occupying third place due primarily to a convergence of awareness scores, which declined for both countries, between Bahrain and the UAE, that gave Bahrain a lead.

Enter Iran

All countries from the previous year's ranking have managed to stay in the top ten, however, Iran has emerged in the top ten to replace Jordan, due primarily to a substantial 30 percent increase in its base, from \$418 million to \$545 million.

Islamic Finance Market Sizing

This report estimates that the existing Islamic Finance market stood at an estimated \$2.2 trillion in assets in 2016, based on data disclosed by all Islamic Finance institutions (full Sharia-compliant as well as those with Sharia 'windows') covering Islamic commercial banking, Islamic funds, sukuk, Takaful, and other segments.

Of this \$2.2 trillion, Islamic commercial banks were responsible for \$1.6 trillion, the Takaful (insurance) sector for \$0.04 billion, sukuk (bonds) outstanding for \$0.34 billion, Islamic funds for \$0.09 billion, and other financial institutions for \$0.12 billion. Islamic funds led year-on-year growth at a substantial 34 percent, followed by 7 percent in both banking and Takaful. Other financial institutions showed growth of 3.3 percent, while sukuk shows minimal growth of 1 percent.

Total Islamic Finance assets are expected to reach \$3.8 trillion by 2022, a CAGR of 9.4 percent, with Islamic commercial banking responsible for most of this growth, and projected to reach \$2.4 trillion in assets.

Other industry ecosystem indicators showed, in line with the overall growth of the sector, a 5.8 percent increase in the number of Islamic Finance institutions, a 4 percent increase in the number of outstanding sukuk, and a 0.7 percent increase in the number of Sharia scholars.



Key Developments in 2016/17

The emergence of new players, brands and segments

Non-OIC countries are increasingly recognizing the potential of Islamic Finance:

- ↳ Yielders is the first Islamic FinTech firm to get U.K. regulatory approval¹
- ↳ The Reserve Bank of India included Islamic Finance to improve financial inclusion in India²

More OIC countries are waking up to the potential of Islamic Finance, with Iran and Pakistan major potential players

- ↳ Faysal Bank Pakistan converted into a fully-fledged Islamic bank³
- ↳ Tunisia prepared for debut sukuk issuance⁴
- ↳ Nigeria aims to issue its maiden sovereign sukuk⁵

Trade finance, crowdfunding and gold represent fast-growing segments within Islamic Finance, and with crowdfunding an important medium

- ↳ World's first Islamic trade finance bank to be established in Dubai⁶
- ↳ Fintech HelloGold is the world's first Sharia-compliant gold platform.⁷
- ↳ Sharia crowdfunding platform Ethiscrowd has reached \$30 million in project value⁸

- ↳ Wahed Invest, the world's first Sharia-compliant robo-advisory firm, raised \$5 million in seed funding⁹

Increasing industry maturity

The sukuk industry continues to mature, with sizeable, multi-billion dollar issuances:

- ↳ Saudi Arabia issues the first global sukuk worth \$9 billion rated A+/stable outlook by Fitch¹⁰
- ↳ Qatar-based Ezdan Sukuk Company Ltd. plans to establish a \$2 billion sukuk program¹¹
- ↳ Saudi Aramco plans a \$2 billion inaugural bond ahead of a major IPO¹²
- ↳ \$1 billion sukuk listed in Nasdaq Dubai by the Government of Hong Kong¹³

The Awqaf industry is playing an ever-important role in addressing global development needs, with several important initiatives launched:

- ↳ Indonesia's Financial Services Authority (FSA) is supporting the establishment of Indonesian Waqf Venture Bank by June 2017. The bank will support micro, small and medium enterprises¹⁴
- ↳ Telegane state in India has approved the leasing of waqf properties in the state for 30 years¹⁵

1 Kelly, J. 2017. Islamic fintech firm becomes first to get UK regulatory approval. *Reuters UK Business News*.

2 PTI. 2016. Islamic Development Bank announces its first Indian branch in Ahmedabad. *News Nation*.

3 Zaidi, E. 2017. Faysal Bank transforming into Islamic entity to tap Shariah-compliant financing potential. *The News International*.

4 Barbuscia, D. 2017. Tunisia starts preparatory work for debut sukuk issuance. *Reuters Tunisia News*.

5 Daily Nigerian. 2016. Nigeria to issue Islamic financial bond, 'sukuk'.

6 Kane, F. 2016. UAE to set up the world's first Sharia-compliant trade bank. *The National - Business*.

7 Zaway, (2016). *Fintech HelloGold is world's first Shariah-compliant gold platform*.

8 Ethis Crowd. 2017. *Ethis Real Estate Islamic Crowdfunding*.

9 Vizcaino, B. 2017. Robo-adviser Wahed targets Muslim investors in US and beyond. 6 June. *Reuters Fintech*.

10 Reuters. 2017. Fitch Rates Saudi Arabia's Sukuk 'A+'. *Reuters Intel*.

11 S&P Global Ratings. *Islamic Finance Outlook, 2017 Edition*.

12 Martin, M., and Narayanan, A. 2017. Saudi Aramco Plans \$2 Billion Debut Bond Ahead of IPO. *Bloomberg.com*.

13 Mullally, W. 2017. Hong Kong lists \$1 billion Sukuk on Nasdaq Dubai. *CPI Financial News*.

14 Aprilatu, P. 2017. FSA Hopes to Realize Waqf Bank before June. *Netral News*.

15 Nyoozcom. 2017. Govt nods leasing out of Waqf properties for 30 years. *Hyderabad News*.

- ↳ Mohammed Bin Rashid Global Center for Endowment consultancy (MBRGCEC) has signed Union National Bank as its first partner for its endowments¹⁶

Investments and financing

The Sharia-compliant support infrastructure for SMEs has evolved:

- ↳ IDB approves \$715 million of financing for the development of roads, ports, housing, and SME projects¹⁷
- ↳ Malaysia to launch \$100 million Islamic venture capital fund¹⁸

M&A activity is occurring between Islamic Finance institutions, supporting the creation of truly global institutions:

- ↳ Merger talks between Alawwal Bank and HSBC-backed SABB, Saudi Arabia¹⁹
- ↳ Bahrain's Al Baraka to merge unit with Pakistan's Burj Bank²⁰
- ↳ National Bank of Abu Dhabi PJSC and First Gulf Bank PJSC merges to create a regional powerhouse²¹
- ↳ Kuwait Finance House in talks to buy Bahrain's Ahli United Bank²²

Islamic Finance institutions are turning to IPOs:

- ↳ Bank Islam Brunei Darussalam Bhd plans IPO expected to raise \$500 million²³
- ↳ BRI Syariah Indonesia plans to launch an IPO in 2018 by releasing about \$76.73 million worth of capital²⁴

Regulatory and operational developments

Existing standards for Islamic Finance have broadened, while global regulations are being expanded to address Islamic Finance:

- ↳ OJK releases a standards book on Murabahah based products²⁵
- ↳ AAOIFI Gold standard seen opening new market²⁶
- ↳ AAOIFI issues new Sharia standards on repurchase²⁷
- ↳ GCC banks, including Islamic banks, face new compliance pressures as IFRS 9 deadline nears²⁸
- ↳ Dana Gas's declaration that its sukuk issuance is not Sharia-compliant has raised substantial concerns.²⁹

Islamic Banks embrace digital banking:

- ↳ Dubai Islamic Bank Pakistan launches branchless banking initiative³⁰
- ↳ Saudi Arabia's Al Rajhi Bank uses Gemalto's instant EMV card issuance solution in new self-service kiosks.³¹

16 Salaam gateway. 2017. Dubai endowment fund signs on first partner for environment initiative. *Salaam Gateway - Islamic Finance*.

17 Zawya. (2017). *Islamic Development Bank approves \$715 million of financing for development of roads, ports, housing, and SME projects*.

18 Bernama. 2016. Malaysia to launch world's first Islamic venture capital fund. *NST Online*.

19 Arnold, T., and Azhar, S. 2017. *Saudi's Alawwal Bank and HSBC-backed SABB in merger talks*. *Reuters Deals*.

20 Torchia, A. 2016. Bahrain's Al Baraka to merge unit with Pakistan's Burj Bank. *Reuters Deals*.

21 Sharif, A. 2017. Abu Dhabi's \$180 Billion Lender to be Named First Abu Dhabi Bank. *Bloomberg.com*.

22 Mahdi, W., MacDonald, F., and Nair, D. 2017. KFH Said in Talks for Bahrain Ahli United Bank, Kuwait Unit. *Bloomberg.com*.

23 The Star Online. 2017. Bank Islam Brunei said to choose Malaysia for US\$500mil IPO.

24 The Jakarta Post. 2016. BRISyariah to launch IPO in 2018.

25 Otoritas Jasa Keuangan. 2016. OJK Launches Book on Standards of Murabahah. *OJK Publications*.

26 The Business Times. 2016. Gold standard for Islamic finance seen opening new market.

27 Accounting and Auditing Organization for Islamic Financial Institutions. 2017. AAOIFI's Shari'ah Board Issued new Standard on "Repurchase", in its Meeting No 47. *AAOIFI*.

28 Zawya. (2017). *GCC banks face new compliance pressures as IFRS 9 deadline looms*.

29 Financial Times. 2017. Dana Gas rejects offer to restructure \$700m sukuk. 13 September. *www.ft.com*.

30 Dubai Islamic Bank. 2017.

31 Gemalto. (2017). *Al Rajhi Bank deploys Gemalto's instant EMV card issuance solution in new self-service kiosks*.

Opportunities and Challenges

Summary: The Islamic Finance Sector is ripe for growth, especially in addressing the needs of SMEs as well as opportunities across the Islamic Economy, but can be held back by a lack of adoption of technological innovations, and limited regulatory harmonization.

✔ OPPORTUNITIES

⚠ CHALLENGES

1. OPERATIONS IN THE CORE BANKING SECTOR NEEDS TO BE UPGRADED TO ADOPT TECHNOLOGICAL ENHANCEMENTS, OVERSEEN BY MORE ROBUST REGULATIONS

- ✔ **Opportunities exist for Islamic Finance to incorporate technological developments** in AI and Big Data, helping create profitable, scaled and diverse banking institutions
- ⚠ **However, on the flip side, banks are currently lagging** in adapting to important changes in AI, Peer-to-Peer Finance and Cybersecurity which could result in global institutions and startups addressing consumer and business needs more effectively, relegating the role of Islamic Financial institutions³²
- ⚠ **Furthermore, the regulatory bodies have not yet established** a consumer protection framework that will enable substantial growth, with customers facing inferior products and services. This is particularly concerning given the recent scandal with Dana Gas,³³ and the potential risk for further disagreements with respect to sukuks issued

2. SME FINANCE IS A CRITICAL OPPORTUNITY BUT ALSO A MAJOR UNMET NEED

- ✔ **SME finance is a critical growth area for the industry**, especially given that 60 percent of employment and 40 percent of GDP comes from SMEs in emerging economies.³⁴ While wide-ranging efforts, including numerous crowdfunding platforms being launches, are a solution, the future could be a dedicated SME platform for Islamic Economy companies seeking growth capital, paralleling the AIM markets of today

- ✔ **Islamic pension funds** are a rapid growth area, with substantial unmet demand, that could grow to be a significant asset group, supporting in turn Private Equity initiatives across the Islamic Economy

- ⚠ **However, the current reality is a limited focus on SMEs** in the Islamic Finance industry, with well-established structures of sukuk limited to large companies, which could limit the growth and penetration of the industry, and open the door to competing ethical finance products catering to the needs of Islamic Economy and OIC-based SMEs

3. PRODUCT DEVELOPMENT OPPORTUNITIES ARE RIPE, BUT MORE CHOICE IS NEEDED FOR THE CONSUMER

- ✔ **Convergence opportunities are ripe** between Islamic Finance and the Islamic Economy, with trade finance a top opportunity, with \$280 billion imported by OIC countries across Islamic Economy sectors (excluding travel),³⁵ and Takaful opportunities for Health and Travel needs
- ✔ **M&A activity is critical** for developing the core banking capabilities of Islamic Finance institutions, and it's continuation can help create global, sophisticated companies
- ✔ **A global Waqf fund addressing global social needs** could be developed, resulting in a multi-billion dollar OIC-based entity with a footprint that matches the scale and prominence of today's leading U.S.-based foundations
- ⚠ **However, limited product choice for consumers inhibits sector growth.** This could lead to consumers and SMEs needs remain unaddressed, with customers faced with inferior options for Islamic Finance, limiting the size of the market.

³² Hassan, J. (2011). Why Technology can push the industry forward. *Islamic Investor*.

³³ Financial Times. 2017. Dana Gas rejects offer to restructure \$700m sukuk.

³⁴ Bell, S. 2015. Small and Medium Enterprises (SMEs) Finance. *World Bank*.

³⁵ International Trade Centre (itc). 2017.

Trajectory and Roadmap

✔ OPPORTUNITY

SME FINANCE: Developing dedicated SME products for Islamic Economy companies seeking growth capital.

1. THE CORE OPPORTUNITY IS AROUND MEETING SME NEEDS

The role of SMEs in emerging markets is very significant, particularly for countries with sizeable Muslim populations, such as Indonesia, Malaysia, Pakistan and India, where more than 50 percent of economic activities are supported by formal SMEs, with a substantial role for Sharia-compliant growth and working capital to address the funding needs of SMEs

2. THE END STATE COULD BE A MULTI-BILLION-DOLLAR GLOBAL EXCHANGE

As a result of substantial collaboration, there would be a global exchange for up-and-coming Islamic Economy companies paralleling the Alternative Investment Market (AIM) seen in 2016, with billions of dollars invested. SME finance will become a key product area for Islamic banks, with specialized global Sharia-compliant banks for SMEs that offer instant, digitally accessible capital expansion and working capital finance

3. EXAMPLES SHOW AREAS IN THE INDUSTRY WHERE SME FINANCE IS BECOMING A PRIORITY

- ↳ **Islamic Banks should make SME lending a priority,** learning from PT. Bank Rakyat Indonesia: The Non-Performing Loans Ratio for SME customers has been lower than for commercial customers, with relatively high margins. The bank's experience shows that SME propositions can be very viable³⁶
- ↳ **The IDB Group is an important stakeholder in driving SME funding schemes:** The Islamic Development Bank (IDB) launched a \$100 million fund in partnership with Ibdar Bank, and Tamkeen, to invest in SMEs in Bahrain, which contribute 30 percent of the kingdom's GDP³⁷
- ↳ **Crowdfunding has stepped in to become a major source of funding for startups and SMEs:** Global crowdfunding surpassed \$30 billion in 2015,³⁸ and is expected to reach \$90 billion by 2020.³⁹ The Islamic Finance sector has seen a plethora of funding platforms, including EthisCrowd, Blossom Finance and Launchgood

³⁶ Financial Times, 2016. Indonesia's BRI embraces banking by satellite.

³⁷ Zaywa, (2017). *ICD, Tamkeen & Ibdar launch \$100million Bahrain SME fund.*

³⁸ MarketWired, (2015). *Crowdfunding Market Grows 167% in 2014: Crowdfunding Platforms Raise \$16.2 Billion, Finds Research Firm Massolution.*

³⁹ The World Bank, (2013). *Crowdfunding's Potential for the Developing World.* InfoDev, Finance and Private Sector Development Department.

“SME lending will unlock the growth potential of Islamic Finance, with governments playing a critical role alongside existing financial institutions”

4. THE ROADMAP TO REALIZING THIS OPPORTUNITY INVOLVES CREATING AN ECOSYSTEM, SUPPORTED BY COLLABORATIONS AND SME EXPERT ADVICE

- ↳ **Ecosystem building by key stakeholders:** The government, together with Islamic Finance stakeholders such as IDB, can play a key role driving SME initiatives such as in Bahrain
- ↳ **Collaborate with existing players:** Collaboration between Islamic banks and existing fintech platforms will help better serve the needs of SMEs, and help banks gain new customers, as well as provide impetus for new product developments
- ↳ **Expand organizational capacity:** Developing an internal skillset through hiring SME experts and developing products and processes around credit evaluation will help banks directly address the SME finance opportunity.



Stakeholder Feedback

On the Roadmap:

- In order to speed up the process of establishing Islamic banks for SMEs, it is important to have a multilateral institution that focuses on Islamic microfinance. The multilateral institution will be the catalyst of the global Islamic bank for SMEs.

DR. SUTAN EMIR HIDAYAT
 Head of Business
 Administration and Humanities
 Department, University
 College of Bahrain, Top 50
 most influential person in the
 Islamic Economy by Islamic
 500, ISFIN

On the End State:

- This trend of SMEs becoming a key client for Islamic Financial institutions is a fact. At retail scale the participative/risk sharing and social advantages of Islamic banking are of the highest priority.

YERLAN BAIDAULET
 Senior Adviser to the
 Ministry of Investments and
 Development, Government
 of Kazakhstan, former Board
 Member of the Islamic
 Development Bank

▲ CHALLENGE

LIMITED INNOVATION: Islamic Finance has been slow to adapt to rapid technological innovations.

1. THE CORE CHALLENGE IS AROUND A DELAY IN ADOPTION

Islamic Finance lags the global finance industry in terms of innovation. A survey conducted by EY in 2016 revealed that less than half of customers were unsatisfied with their mobile banking experience. This is reflected in mobile banking usage in the UAE being only 34 percent while in other GCC countries it is even lower⁴⁰

2. THE END STATE COULD IN A WORST CASE COULD SEE TODAY'S BANKS LOSING SUBSTANTIAL GROUND TO NEW, SOPHISTICATED PLAYERS

By failing to respond to technological changes by 2030, Islamic banks could become relatively archaic institutions that lose prominence and play a delegated role in addressing customer needs. Fintech platforms could end up becoming the main source of Sharia-compliant funding for SMEs, and potentially could evolve into exchanges used by larger companies. Leading global institutions could follow the path of HSBC Amanah and establish Islamic Finance windows, at the expense of the current market share of Islamic banks

3. EXAMPLES SHOW THE COMPELLING BUSINESS CASE FOR ADOPTING TECHNOLOGY ADVANCEMENTS NOW, AND NOT WAITING

- ↘ **Artificial Intelligence will reduce workforce need, as JP Morgan's experience shows:** Leading studies show that 30 percent of bank jobs could be lost between 2015 to 2025, mainly due to retail bank automation.⁴¹ JP Morgan's experience with the AI-based COIN program is a case in point with 360,000 hours of work completed in a matter of seconds⁴²
- ↘ **Fintech will capture a large share of the finance industry going forward, and will become a critical collaboration partner:** According to McKinsey, 10 to 40 percent of bank revenues could be at risk (depending on the business) by 2025 if no mitigating action is taken.⁴³ Thus, fintech collaborations are ever-important, with a 2016 survey by law firm Manatt, finding that 72 percent of regional and community banks in the U.S. said they are planning to collaborate with a fintech firm in the next 12-18 months (2017-2018)⁴⁴
- ↘ **Lack of development can be costly:** In March 2016, the co-chief executive of Deutsche Bank said that the inefficiency of its IT was the price paid to monetarily catch up with the fast-growing Wall Street banks⁴⁵

40 EY. *World Islamic Banking Competitiveness Report 2016* [Online].

41 Egan, M. 2016. Citi: Robots could kill another 30% of bank jobs. *CNN Money*.

42 Galeon, D., and Houser, K. 2017. An AI Completed 360,000 Hours of Finance Work in Just Seconds. *Futurism*.

43 Dietz, M., Khanna, S., Olanrewaju, T., and Rajgopal, K. 2016. Cutting through the noise around financial technology. *McKinsey Quarterly*.

44 Jones, J. 2016. 2017 Will Be A Huge Year For Bank Partnerships. 14 November. *Lend Academy Blog*.

45 EY. *Accelerating the Technological Transformation of Banking*.

“Islamic Finance Institutions that fail to adapt to new technology will fall significantly behind and lose market share to startups”

4. THE ROADMAP TO ADDRESSING THIS CHALLENGE INVOLVES A STRATEGIC ALIGNMENT BY INSTITUTIONS OF TECHNOLOGY WITH GROWTH, AND ROBUST PARTNERSHIPS

- ↳ **Develop innovation capabilities:** Banks must understand the innovations occurring and develop internal capabilities to launch technology-driven initiatives, such as Mobile Banking, and AI
- ↳ **Collaborate with fintech players:** Banks cannot fully incorporate all innovations — collaboration is key to accessing new market opportunities, as well as developing new products
- ↳ **Leverage third-party software:** Existing institutions should work with technology providers where the cost of investment and development is prohibitively high and outside the product scope but essential to operations, such as Blockchain and Cybersecurity.



Stakeholder Feedback

On the Roadmap:

- Adopting Fintech through the above strategies is unavoidable for the existing Islamic Financial institutions to remain competitive in the market.

DR. SUTAN EMIR HIDAYAT
Head of Business
Administration and Humanities
Department, University
College of Bahrain

On the End State:

- Fintech is the future of Islamic Finance as it will remove the barriers that have traditionally held back the industry from growth. Islamic Fintech may seem to be slow now but it's certain that soon it will become the norm and unlock the potential that Islamic Finance has to offer to Muslims and non-Muslims alike, demonstrating exponential growth.

FARRUKH RAZA
Managing Director, Islamic
Finance Advisory and
Assurance Services (U.K.)



Interview



Mohammed Kateeb
Group Chairman & CEO,
Path Solutions



Mohammed Kateeb is an established leader, known for being results-driven, dynamic and highly entrepreneurial. He has a diverse experience in building businesses, teams and identifying and capitalizing on market opportunities for over 30 years in the USA, UK and the Middle East. Before joining Path Solutions, Mohammed has spent 11 years as an executive with Microsoft. He is also known as a key contributor to the region Telecommunication, Media and Information Technology industry.

Currently, Mohammed serves as member of the Board of Trustees of IRTI, an affiliate of the Islamic Development Bank Group (IDBG) to develop a technology-enabled Islamic financial services sector to foster Islamic financial inclusion.

Can you give us a brief background of the business Path Solutions is involved in, highlighting your regional focus?

Path Solutions is a leading information technology solutions provider offering a broad, deep spectrum of Sharia-compliant software solutions and services to the Islamic financial marketplace, covering the entire range of Islamic Banking, Retail and Corporate Banking, Investment and Financing, Treasury, Asset Management, Risk Management, and Regulatory Reporting in GCC and Global Capital Markets.

Our turnkey solutions are based on an open, flexible architecture and an established deployment methodology. They have been tested and implemented at some of the world's most sophisticated Islamic banks, Islamic banking windows as well as conventional banks converting into Islamic banking operations.

We help our clients to manage all their front-office and back-office software needs, meet Sharia and regulatory requirements, cut costs, increase their market share, and exceed their customer expectations.

Through our four world-class R&D centers, we optimize design and execution of our technologies. Our multilingual team combines deep technical expertise with industry know-how to provide a market-leading array of professional services, and they are the driving force behind our track record of successful implementations.

Path Solutions enjoys a strong presence across the Middle East, GCC, Africa, Asia Pacific, South America and United Kingdom with over 120 forward-thinking Islamic financial institutions using its core banking system, strengthening its position as the undisputed leader in the Islamic financial services marketplace. The company has been recognized and widely acclaimed by industry top analysts including Gartner, Forrester, CEB TowerGroup, Aite Group, IDC, Celent and IBS Intelligence.

How did Path Solutions determine that the Islamic Finance industry was an attractive opportunity to address?

Having performed an in-depth market analysis, Path Solutions recognized the gap in providing specific technology solutions servicing the Islamic finance sector and endeavored to fulfill that need by providing cutting-edge Sharia-compliant software solutions.

We have actually realized the potential of Islamic finance at a quite early stage, and started developing solutions for the sector in 1990s. We took the route of building full-packaged solutions for Islamic banks, investment banks, financing companies, and microfinance institutions. We have enjoyed tremendous success since inception, and today there are over 120 Islamic financial institutions worldwide that use our Sharia-compliant core banking system and peripheral modules.

What steps did Path Solutions take to expand both its product offering and geographical coverage across the OIC?

Throughout our history, we have always been working rigorously on two fronts, the Sharia-compliant front, and the advanced technology and innovation front. In recent years, we have been investing heavily in Mobility, Cloud, Analytics, and Artificial Intelligence to bring all this into our offerings. We have already introduced new and improved BI, Risk Management, IFRS9 and Cash Management solutions characterized by flexible technical and open architecture. We are also expanding our eChannels, so that our clients could offer the best digital open services to their customers, run more efficient operations and gain insight into their businesses. In addition, we will continue to grow our line of Sharia-compliant software solutions, invest and launch next-generation banking applications, thus meeting clients and market expectations.

On the geography side, international expansion remains high on our agenda as wherever Islamic finance goes you will find us, and we feel that Islamic finance will continue to show growth in 2018 throughout the globe, thus we intend to expand further in Africa and into new geographies. Exciting times are ahead of us at Path Solutions!

What are the challenges for Path Solutions in the wider Global Islamic Economy?

Islamic finance faces major challenges; unlike the conventional finance segment, as it is still young, evolving and lacking standards in many areas. This requires from technology providers to develop solutions for this segment that are flexible, adaptable and extendable. In many countries, the bank Sharia board still dictates what is possible and what is not, and how to structure a financial product. The solutions thus need to allow for such variations and sometimes these variations are major. In addition, on the regulatory side, Islamic finance is heavily regulated, so the solutions provided need to be comprehensive to meet the requirements of these regulations.

Another major challenge for Path Solutions, is the awareness of the specificity of the

industry and the need for Sharia-compliant software. Many decision makers who are making the selection of core banking systems, usually have come from a conventional bank or have no previous Islamic banking experience, so they don't fully understand the difference between a conventional core banking system and a Sharia-compliant one. Conventional core banking system providers add to this confusion by claiming they support Islamic banking requirements. It takes tremendous effort from us to educate potential clients on the differences and what it means to have a core banking system built from the ground up to be Sharia-compliant.

Which financial technology trends will have a significant impact in particular on the Islamic Finance industry? How is Path Solutions positioning itself to take advantage of these developments?

The Islamic finance segment just like its conventional counterpart is going through a revolution of disrupting factors that will change this industry forever. New types of institutions will be created such as online banks and some fintechs will compete with financial institutions by providing financial services such as mobile payments and crowd funding; many telcos are already providing banking services through their networks; and global technology and social media giants are intruding in this space, such as Apple, Google and Facebook. Huge risks and major challenges but also amazing opportunities are presenting themselves.

Path Solutions will continue to align itself with the different needs of its clients, and will continue to be a true technology partner to all, and of course the technology leader in this segment. We will increase the breadth of our solutions by providing more innovative solutions in areas we don't currently cover, and more solutions to new businesses and new business models. In addition, we will continue to focus on increasing the depth of our suite of solutions and provide richer features for an efficient and more engaging customer experience. And we will be investing heavily into advancing our technology platform with Mobility, Cloud, Blockchain, Analytics and Artificial Intelligence.



Genesis of the Shariah Standard on Gold

Amanie Advisors LLC



Just one year ago, the gold market for Muslims was a figurative *Wild West*, lacking a specific and dedicated reference on Shariah rulings and requirements for gold trading activity. The public had to rely on varying references in the form of Shariah opinions (Fatwa) from Shariah scholars around the world on highly specific issues related to gold.

For example, on the issue of delivery upon conclusion of sale, interpretations were usually strict and literal in manner, which greatly hampered gold trading activities in the market. If the interpretations weren't strict, people were afraid of dealing in such transactions lest they be involved in usurious (ribawi) activity — classic rock and a hard place.

The project to remedy this situation actually began at the end of 2014, a collaboration with the World Gold Council (WGC) to identify gaps and obstacles in the usage of gold in Islamic finance. After conducting additional extensive research on the regulatory frameworks of various markets and Shariah rules applicable to gold-based transactions, we found a dire need for Shariah clarification, certainty and transparency on the utilization of gold in the industry.

The gold market in 2015 was an estimated \$7 trillion, dwarfing many existing Islamic finance asset classes, e.g. Sukuk, 25 times over. With over \$1.8 trillion worth of funds being held in Islamic financial institutions, it was expected that a standardized set of Shariah rules and regulations would be a boon to the gold market and vice versa. FinTech, too, was thought to be a prime benefactor especially

with the rise of blockchain and the possibility of a gold-backed cryptocurrency.

The next step was to approach the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) to propose the issuance and adoption of the Shariah Standard on Gold. The Standard was developed in direct collaboration with market players, regulators, and Shariah scholars from around the world to ensure that it would be applicable in all Islamic finance markets and by all industry practitioners.

The Standard aims to explain the types and forms of gold, the Shari'ah parameters for gold in its various functions, and the Shari'ah rulings for gold-based financial products. It also allows investors to assess and verify that any gold product offered in the market adheres to the relevant Shariah rules and principles. For regulators, it provides necessary guidance to evaluate regulated products and their compliance to Shariah requirements. After months of discussion and refinement to achieve the aforementioned aims, the Standard was officially launched on 6 December 2016 and is now available for access at <http://shariahgold.com/>

Based on ongoing engagement and interaction with market players, Amanie is optimistic that the best is yet to come and we have only seen the tip of the iceberg. We can safely conclude that gold is definitely a permissible asset class and that the Standard will allow for the development of more innovative and ground-breaking gold-related products. These will benefit not only the Muslim community, but also the international society at large. The potential is indeed limitless.



Amanie Advisors is an award-winning Shariah advisory firm specializing in Islamic finance solutions covering a wide range of services including Shariah advisory and consultancy, training and research & development for institutional and corporate clientele focusing on Islamic financial services.



Let us help you at www.amanieadvisors.com



Interior of the Blue Mosque, Turkey.



Halal Travel Sector

Every year more Muslims are traveling for pleasure. Within this growing segment, Muslim tourists are looking for the same type of experiences as non-Muslims, but increasingly wanting facilities that reflect their values, such as Halal hotels and Halal Food.

The rise of the Muslim tourist is reflected in the Muslim travel market growing by \$10 billion a year since 2014, to \$169 billion in 2016, with growth of 11.8 percent last year, nearly double that of the global travel market. Muslim spend on outbound travel expected to grow by 9 percent per year to reach \$283 billion by 2022. While top Halal Travel destinations are in Muslim-majority countries the UAE, Malaysia and Turkey, both OIC and Muslim-minority countries are investing in Halal Travel, from Spain to New Zealand.

Regional travel, a major area of tourism growth, is equally driving development, with Indonesia launching a Global Halal Travel Alliance to bolster tourism, especially within ASEAN countries.

Turkey in particular has become a major Halal Travel destination, rising four places from last year's indicator ranking to third place, and out-pacing any other Muslim tourist destinations in the Mediterranean region. Indicative of Turkey's popularity was that during the 2017 Eid Al Fitr vacation (at the end of Ramadan), conventional hotels were under-booked whereas Halal-Friendly hotels, especially beach resorts, were fully-booked. Noting the consumer demand at the country's 60 Halal hotels, Turkish hoteliers have started to diversify away from conventional tourism by focusing on this emerging segment.

Such developments are indicative of Halal Travel's economic viability and future appeal, with significant cross-over with other Islamic Economy sectors such as Halal Food, Modest Fashion, culture and healthcare. In fact, such cross-over is already happening, such as HalalTrip partnering with Productive Muslim for personal-development retreats, and Serendipity Tailormade teaming up with Healthy Hijab, a fitness and health coach. Sharia-compliant travel finance services and insurance are also increasingly available, enabling a more comprehensive Halal Travel Ecosystem to emerge. As in other Islamic Economy sectors, crowdfunding is enabling start-ups to get off the ground, such as U.K.-based Firas Airways, and smartphone app Halal Dining Club.

With the number of Muslims traveling rising year-on-year, Halal Travel is an increasingly lucrative sector for future investment.

HALAL TRAVEL

MARKET SIZE¹

How much does global Muslim market spend on travel?



BENCHMARK

How does global Muslim market compare to the rest of the world?

(2016 est., US\$ Billion)



Total Muslim Spending (2016)



Non-OIC
26%

\$44.7 Bn

OIC
74%

\$124.3 Bn

THE HALAL TRAVEL INDICATOR

Which countries have the best developed Islamic economy for Muslim travel?

*CRITERIA (From a total of 73 select countries)

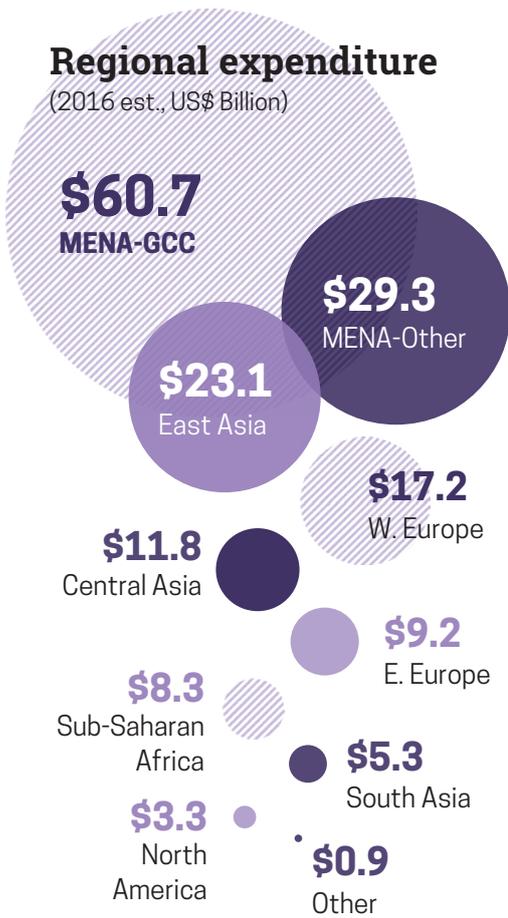
1. Trade: Inbound Muslim Travel relative to its Size
2. Governance: Halal Friendly Ecosystem
3. Awareness: Media/Events
4. Social: Contribution to Employment



¹ Expenditure data Baseline from 2014 UNWTO data, DinarStandard Muslim market estimates; Sector correlated IMF Outlook Oct 2016 Database for projections estimates & analysis; IMF Outlook Oct 2016 Database for projections*

Regional expenditure

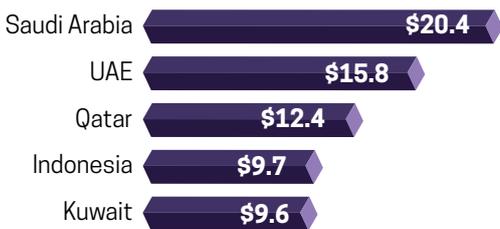
(2016 est., US\$ Billion)



TOP MARKETS BY SIZE

Top Muslim tourism expenditure?

(2016 est., US\$ Billion)



Issues & Opportunities Map

Products & Services	Consumer Needs Ecosystem
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Iran as a destination <input checked="" type="checkbox"/> Adventure travel <input checked="" type="checkbox"/> Mainstream players entering market <input checked="" type="checkbox"/> Ramadan packages <input checked="" type="checkbox"/> Ecotourism <input checked="" type="checkbox"/> Experiential travel <input checked="" type="checkbox"/> Halal food <input checked="" type="checkbox"/> Halal Beach Resorts <input type="checkbox"/> Fragmented 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> GCC diversifying into tourism due to fall in oil prices <input checked="" type="checkbox"/> Increase in Halal travel conferences <input checked="" type="checkbox"/> Positioning GCC destinations as family-friendly <input type="checkbox"/> Limited awareness among OIC countries <input type="checkbox"/> Accommodating Muslims & non-Muslims <input type="checkbox"/> Niche market <input type="checkbox"/> Underdeveloped branding
Financing	Policies, Regulations & Operations
<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Convergence with Halal food, IF, media & modest fashion sectors <input checked="" type="checkbox"/> Crowdfunding to finance startups <input type="checkbox"/> Limited private equity interest in MFT 	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Halal Certification of hospitality businesses <input checked="" type="checkbox"/> Opportunities for Destination Marketing Agencies <input type="checkbox"/> No unified standards or terminology <input type="checkbox"/> US Travel Restrictions

Opportunity Challenge

Selected Key Players

Transportation Infrastructure

Saudi Arabian Airlines (Saudi Arabia)
 Kuwait Airways (Kuwait)
 Firas Airways (UK)
 Waqf Airlines (Malaysia)
 Dubai Intern. Airport (UAE)
 Salaam Cruise (U.S.)

Accommodation Infrastructure/ Hospitality Suppliers

Sofyan Hotels (Indonesia)

Shaza Hotels (UAE)
 Al Meroz Hotel (Thailand)
 Macia Condor (Thailand)
 Adenya Hotels & Resorts (Turkey)
 Selge Beach Resort (Turkey)
 Bera Beach Resort (Turkey)
 Porto Marina Resort (Egypt)

Food & Beverage / Catering

D'Tandoor Restaurant (Australia)
 Momen (Egypt)

The Halal Guys (U.S.)
 Yemen Catering & Support Services International (Yemen)

Channels/Travel Agencies

Serendipity Tailormade (UK)
 Holiday Bosnia (UAE)
 Travel Agency Adriaday (Croatia)
 Nur and Duha (Spain)
 HalalBooking.com (UK)
 HalalTrip.com (Singapore)

Attractions & Entertainment Infrastructure / Education & healthcare infrastructure

IMG Worlds of Adventure (UAE)
 The 99 Village Theme Park (Kuwait)
 IMG World of Adventure (UAE)
 Legoland (UAE)
 Six Flags (UAE)
 KPJ Healthcare Berhad (Malaysia)

Halal Travel Indicator

The 2017 *State of the Global Islamic Economy* Report revisits the Halal Travel Indicator to evaluate countries' health and development of its Muslim market travel ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) Indicator. The Halal Travel Indicator does not focus on the overall size and growth trajectory of a country in this sector; instead it evaluates countries on relative strengths of the ecosystem they have for the development of the sector.

Malaysia, the UAE and Turkey lead the Halal Travel Indicator ranking that focuses on the health of the Halal travel ecosystem a country has relative to its size.

The indicator equally weights four metric categories and has the following metrics for each (full methodology is presented in the Appendix):

- ✎ Supply drivers relative to country size (inbound Muslim tourists)
- ✎ Governance (Halal-Friendly ecosystem)
- ✎ Awareness (number of related news articles and events)
- ✎ Social (travel sectors contribution to employment)

Note that the calculation for inbound Muslim tourists was revised this year, with Muslim visitor estimates for key Muslim tourist destinations based on a more precise breakdown of visitors by top inbound source countries.

The top ten countries in the Halal Travel Indicator



Halal Travel	Sector Score	Inbound Muslim Travel Score	Halal Friendly Ecosystem	Awareness Score	Social Score	GIE Ranking
Malaysia	109	176	167	72	22	1
United Arab Emirates	94	195	67	94	19	2
Turkey	72	90	167	18	15	16
Indonesia	46	21	133	18	10	11
Thailand	44	107	33	9	28	26
Saudi Arabia	43	45	67	43	18	3
Tunisia	42	76	67	4	23	29
Maldives	42	19	67	0	81	24
Qatar	41	97	33	14	20	7
Jordan	39	51	67	4	34	10

Malaysia overtakes the UAE

Malaysia has overtaken the UAE to lead the ranking, due primarily to a substantial improvement in its awareness score, underpinned by increasing media discourse on Halal Travel, and an improvement in its ecosystem score, reflecting the breadth of activity the country is taking to develop its tourism industry to cater to Muslim travelers.

While overtaken this year, the UAE continues to have the highest inbound travel score and awareness scores, which underpins the country's commitment to developing a leading ecosystem for Halal travel.

Turkey remains in third place, and Indonesia reaches fourth place

Turkey has held its own in third place, underpinned by a robust, world-leading ecosystem alongside Malaysia, despite a moderate decline in its awareness score.

Indonesia moves into the top ten straight to fourth place, realizing its potential as a top destination for Muslim travelers, aided by substantial efforts to develop Halal Tourism in the country, reflected in a high ecosystem score, as well as a substantial increase in media discussion on Halal Tourism.

Other notable movements

Tunisia and Thailand have moved into the top ten, aided by robust inbound travel scores, while Iran, Lebanon and Oman have moved out. Saudi Arabia has moved up by four places, aided by a substantial increase in awareness, as the country seeks to attract more Muslim tourists as part of its economic diversification strategy. The Maldives has dropped two places driven by a decline in the travel sector's contribution to employment.

Halal Travel Market Sizing

Market size and profile — Global Muslim consumer spending on Travel (outbound) — \$169 billion in 2016 (12 percent of global expenditure).

This report estimates Muslims globally to have spent a total of \$169 billion on travel in 2016 (excluding Hajj and Umrah), 12 percent of global market spending of \$1.4 trillion. This is a growth of **11.8 percent** from the previous year, and is higher than the 6.6 percent increase in the global market. Muslim spending on travel is expected to reach \$283 billion by 2022, representing a CAGR of 9 percent from 2016.

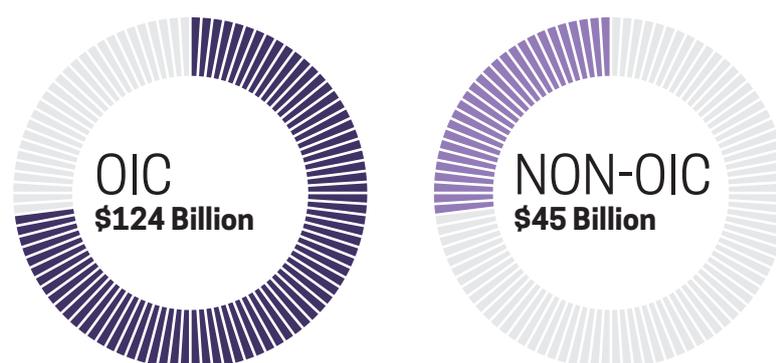
The Muslim market for travel is the second largest when compared to the largest travel source countries — just after China (\$179 billion) and ahead of the U.S. (\$169 billion.)

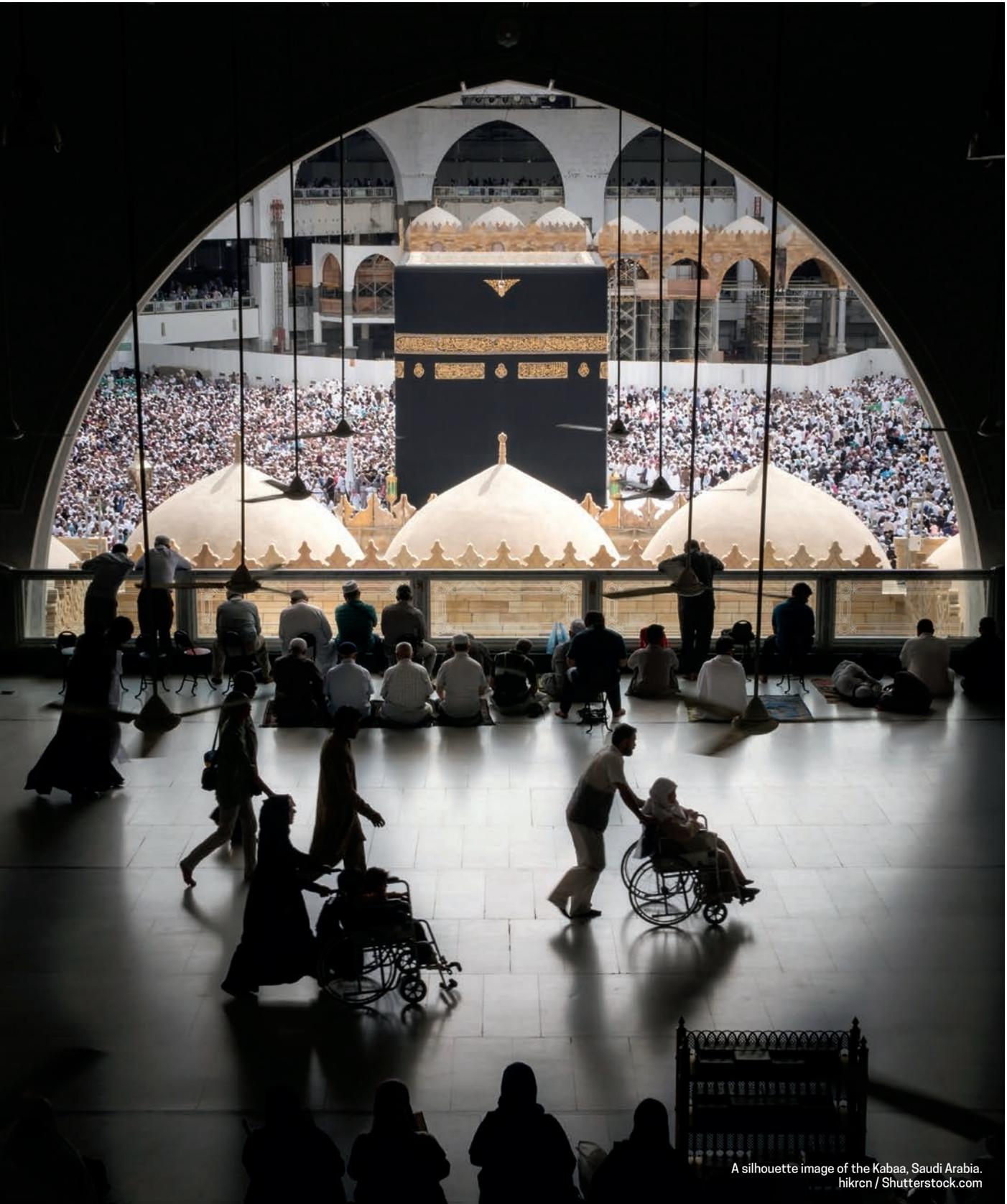
Top source countries of Muslim tourists based on 2016 expenditure were: Saudi Arabia (\$20.4 billion), the UAE (\$15.8 billion), Qatar (\$12.4 billion), Kuwait (\$9.6 billion), Indonesia (\$9.7 billion) and Iran (\$7.4 billion).

Regionally, Muslim tourism expenditure was the highest in the following: MENA-GCC

(\$61 billion), MENA-Other (\$21.9 billion, with Iran separately accounting for \$7 billion) and East Asia (\$23 billion), followed by Western Europe (\$17 billion) and Central Asia (\$12 billion, including Turkey). The MENA-GCC region represents 36 percent of the total Muslim travel spend even though representing only 3 percent of the global Muslim population.

Breaking down and referencing Muslim spend in 2016





A silhouette image of the Kaaba, Saudi Arabia.
hikrcn / Shutterstock.com

Key Developments in 2016/17

The emergence of new players, brands and segments

OIC countries address the high strategic importance of Halal tourism

- ↳ UAE-based Halal hotel chain, Time, will open new properties in Dubai that will be run by women¹
- ↳ Sharia-compliant Orange Suites Hotel Apartments opens in Bahrain²
- ↳ Indonesia launches a Global Halal Travel Alliance focused on ASEAN nations to increase intra-ASEAN tourism flow³

New startups venture into peer-to-peer home rentals and adventure travel

- ↳ Muslim-focused peer-to-peer property rental startup, Muzbnb, launches in the U.S.,⁴ whereas 2015 saw the launch of UK-based BookHalalHomes
- ↳ Thailand's Anantara Group opened a five-star resort in Oman's mountains, luring adventurous travelers⁵

Halal travel service providers are teaming up with other sectors to expand their offerings

- ↳ HalalTrip partnered with Productive Muslim for the first Halal personal development retreat⁶
- ↳ Serendipity Tailormade teamed up with Healthy Hijab, a fitness and health coach, to offer a women's wellness retreat in Andalucia, Spain⁷

Increasing industry maturity and sophistication

Hajj and Umrah is a market in itself attracting new players across the service spectrum

- ↳ Malaysia Airlines will launch a new dedicated low-cost carrier for its Hajj and Umrah flights that will begin operations by end 2018⁸
- ↳ New digital solution connects people who want to perform Umrah al badal with registered badals in Mecca⁹
- ↳ Saudi Arabia to introduce hi-tech bracelets in Hajj safety push¹⁰

1 Alim, E. 2017. New Dubai hotel to be 80 percent run by women aims to be Shariah-compliant. 25 April. *Salaam Gateway - Islamic Lifestyle*.

2 Biz Bahrain. 2016. Family-friendly, Shariah-compliant Orange Suites Hotel Apartment opens in Bahrain. *Salaam Gateway - Islamic Lifestyle*.

3 Alim, E. 2017. Indonesia-led alliance of travel agents develops platform, app, to cross-sell halal packages. *Salaam Gateway - Islamic Lifestyle*.

4 Cooper, R. 2017. DC startup launches Muslim-focused home-sharing with Muzbnb. *Washington Business Journal*.

5 The Innovation Group. 2016. The Future 100: Trends and Change in 2017. *JWT Intelligence*.

6 Salaam Gateway. 2016. ProductiveMuslim partners with HalalTrip for first Muslim-friendly personal development retreat. *Salaam Gateway - Islamic Lifestyle*.

7 Serendipity travel. 2017. *Serendipity Travel - Halal Holidays and Travel*.

8 Bernama. 2017. MAS Airline Dedicated For Hajj/Umrah To Start Flying Pilgrims By End-2018.

9 Hashem, H. 2016. Umrah al badal goes Uber. *Salaam Gateway - Islamic Lifestyle*.

10 Press TV. 2016. Saudi Arabia picks UK firm to make e-bracelets for pilgrims.

New products and services are being developed for the benefit of Muslim travelers

- ↘ Air India to launch female-only seat sections to combat in-flight sexual harassment, a service that is expected to appeal to women traveling alone¹¹
- ↘ Google launches Qibla Finder augmented reality web app¹²
- ↘ Oman-based Maisarah Islamic Banking Services launched sharia-compliant travel finance services¹³
- ↘ Oman-based insurance provider Al Madina Takaful has launched Hajj and Umrah travel insurance scheme¹⁴

GCC countries develop attractions to promote tourism and solidify their positioning as family-friendly destinations

- ↘ World's largest indoor theme park, IMG Worlds of Adventure, opens in Dubai¹⁵
- ↘ The first LEGOLAND Hotel in the Middle East will open in Dubai. The hotel is a collaboration between Dubai-based leisure and entertainment company DXB Entertainments PJSC and U.K.-based Merlin Entertainments Group¹⁶

Investments and financing wins

Startups are turning to crowdfunding to get off the ground

- ↘ U.K.-based Firnas Airways launched a crowdfunding round on Eureeca.com¹⁷

- ↘ The Halal Dining Club, an app that helps Muslim travelers find Halal Food options, secured \$254,700 during a recent crowdfunding round¹⁸

Sukuk is a critical tool for OIC-airlines to seek expansion

- ↘ The UAE's Etihad issued a five year sukuk for \$15 billion under the newly established Islamic Trust Certificate Sukuk program¹⁹

Regulatory and operational developments

The private sector is taking the lead in efforts to standardize Halal travel

- ↘ Salam Standard added a fourth tier Platinum rating for Halal accommodation.

OIC standard setting bodies are pushing a travel standard for Muslims

- ↘ The Standards and Metrology Institute for Islamic Countries (SMIIC), which is an institution working under the OIC, is developing a Halal travel standard.

11 Kim, S. 2017. Air India to launch female-only seat sections to combat in-flight sexual assaults. *The Telegraph*.

12 Fagioli, B. 2017. Google launches 'Qibla Finder' augmented reality web app to help Muslims pray. *BetaNews*.

13 Zawya, (2017). *Omans' Maisarah launches new travel finance solution*.

14 Muscat Daily Newspaper. 2016. Al Madina Takaful launches Hajj and Umrah Travel Insurance - Oman.

15 Browning, N. 2016. World's largest indoor theme park to open in Dubai. *Salaam Gateway - Islamic Lifestyle*.

16 Ahmed, A. 2017. First Legoland Hotel in Middle East to open in Dubai. *The National - Arts and Culture*.

17 Eureeca Ltd. 2017. *Firnas Airways Crowdfunding*. [Online].

18 Ng, K. 2017. 2 apps, 16 billion Muslims: How these startups are tapping the halal market. *Tech Wire Asia*.

19 Bonds and Loans. 2017. CASE STUDY: Etihad Lands Largest Sukuk Debut in MENA Aviation History.

Opportunities and Challenges

Summary: Financing and inter-sector convergence across the Islamic Economy are real opportunities for Halal Travel, however, the industry is held back by a lack of harmonized guidelines.

✔ OPPORTUNITIES

⚠ CHALLENGES

1. FINANCE CAN PLAY A KEY ROLE, BUT BARRIERS STILL NEED TO BE OVERCOME

- ✔ Investment can play a key role in supporting the emergence of unicorns in Halal Travel, helping the sector become an attractive asset class
- ✔ Convergence with Islamic Finance across various consumer-related aspects remains a largely unexploited opportunity, with the potential for leading insurance companies to move into the Halal Travel market, offering a range of Sharia-compliant products
- ⚠ However, investors are still largely reluctant to finance the development of Halal Travel products and services, with loss of revenue in food and beverage if they invest in dry hotels a major inhibitor that needs to be overcome

2. PRODUCT DEVELOPMENT OPPORTUNITIES ARE RIPE, ESPECIALLY IF CONVERGENCE ACROSS ISLAMIC ECONOMY SECTORS IS PURSUED, BUT BRANDING EFFORTS NEED TO BE ENHANCED

- ✔ **Travel products that combine travel with other Islamic Economy sectors** will be ripe for growth. The Halal Travel sector will flourish with the support of more developed Islamic Economy sectors.
- ✔ **Medical tourism is gaining traction and could become** a significant segment attracting Muslims in need of advanced healthcare treatment that aligns with their values

- ✔ **The sharing economy is set to gain traction** among Muslim travelers, with the emergence of Muslim versions of Airbnb, with sharing economy platforms becoming a potential go-to resource for trip planning, especially among lower income households, providing a strong economic boost

- ✔ **Halal Tourism can broaden to ethical travel**, resulting in Halal startups gaining substantial global scale, and becoming among the Unicorns securing IPOs

- ⚠ **However, Halal hotels, struggle to position themselves** as both Halal and welcoming to mainstream guests, and this could give mainstream brands the upper hand in attracting Muslim customers with small but important tweaks to their accommodations

3. REGULATIONS ARE SIGNIFICANTLY IN NEED OF HARMONIZATION

- ✔ **Destination marketing** can play a key role in expanding the scope of Halal Travel, which could lead to a well-developed raft of products and specialized travel opportunities

- ⚠ **However, the lack of universal Halal Travel standards** can cause continued confusion among industry and consumers, and limit the industry to an interesting, but small, niche within travel, only adopted by a small proportion of Muslim travelers. Lack of clear regulation can result in notable scandals, such as Hajj and Umrah fraud schemes noted in Malaysia and Indonesia²⁰, as well as misinterpretations, such as confusion around Mahram rules for visiting Saudi Arabia.²¹

20 Koh, K. 2017. Umrah package case: Malaysian tour agent fined RM7,000 for failure to refund customers. *Salaam Gateway - Islamic Lifestyle*.

21 Seth, S. 2017. Pakistan haj mahram policy unaligned with Saudi's, exception for Shia women. *Salaam Gateway - Islamic Lifestyle*.



Trajectory and Roadmap

✓ OPPORTUNITY

CONVERGENCE: Travel products that combine Halal Travel with other Islamic Economy sectors is a core growth opportunity.

1. THE CORE OPPORTUNITY IS CONVERGING WITH OTHER ISLAMIC ECONOMY SECTORS

As the Islamic Economy matures, and gains prominence, there are numerous clear cross-overs with travel, including culinary tourism, offered for instance by U.K.-based Serendipity Tailormade, and fashion-based tourism, such as the Dubai Shopping Festival

2. THE END STATE COULD BE A DIVERSIFIED, SIGNIFICANTLY SCALED SECTOR

In 2030, Halal Travel spend could exceed \$50 billion in size within travel,²² addressed by sizeable dedicated, as well as leading, global travel companies. **Halal Food in particular will be a major component of convergence-themed travel**, sustaining food service jobs, as well as bringing revenues directly to local families

3. EXAMPLES SHOW HOW TRAVEL HAS SUCCESSFULLY INTEGRATED WITH OTHER LIFESTYLE SECTORS

- ↳ **Culinary tourism is an essential segment of travel**, with food accounting for over a third of international tourism spend, reaching around \$467 billion in 2015.²³ While food is a key component of travel, there is evidence of it becoming the primary factor for choosing a destination
- ↳ **Music festivals around the world have had a clear economic impact, and suggests a potential link for travel with Halal Media and Recreation Media:** For instance, Coachella Valley Music and Arts Festival in California, U.S. had an impact of over \$700 million in 2016.²⁴ As another example, the Edinburgh Festival in Scotland, the largest arts festival in the world, brings the local economy over \$400 million a year²⁵
- ↳ **Medical tourism is a growing sub-sector that combines Halal Pharmaceuticals, hospitals and travel companies.** KPJ Healthcare Berhad is a hospital in Malaysia that offers Halal services to patients. Thai Halal Tour is a Muslim-focused tour operator based in Bangkok, Thailand, that offers health check-up packaged tours, which combine sightseeing and shopping trips, with health check-ups

²² Thomson Reuters and DinarStandard. *State of the Global Islamic Economy Report: 2016/17*.

²³ El Shafaki, R. 2016. Halal food tourism satisfying growing taste for local cuisines among Muslim travelers. *Salaam Gateway - Halal Industry*.

²⁴ Faughnder, R. 2016. Coachella by the numbers: a breakdown of the festival's \$700-million impact. *Los Angeles Times*.

²⁵ Pease, V. 2017. Edinburgh festivals: How annual event became cultural icon. *STV News*.

“Halal Travel is set for a growth boom with strong opportunities to develop new tourism categories and to intersect with other Islamic Economy pillars”



Stakeholder Feedback

On the Roadmap:

- Like-minded brands in the Halal industry can collaborate to create value for the customer, like travel with Modest Fashion. Such alliances will be beneficial not only to individual industries, but to the collaborative empowerment of the Halal industry.

NABEEL SHARIFF
Founder, Serendipity
Tailormade (U.K.)

4. THE ROADMAP TO REALIZING THIS OPPORTUNITY INVOLVES ROBUST RESEARCH, PRODUCT DEVELOPMENT AND MARKETING

- ↳ **Identify relevant sectors for conversion:** Halal Food is a natural fit for Halal Travel. Another sector to consider is Modest Fashion due its rise in popularity and also affinity with travel
- ↳ **Develop products that combine travel with other sectors:** Identify customer preferences related to both sectors, monitor mainstream travel trends related to other sectors and develop products that address growing trends and customer preferences
- ↳ **Promote products to audiences of both sectors:** Capitalize on the audiences of other sectors in promoting the products. For example, Modest Fashion bloggers have large numbers of social media followers, which should be tapped into when promoting a Modest Fashion related travel event.

▲ CHALLENGE

LACK OF A HARMONIZED RATINGS SYSTEM: Holding back the industry and causing confusion.

1. THE CORE CHALLENGE IS A LACK OF UNIFIED STANDARDS

There are no unified Halal Travel standards, with many scattered efforts at standardization from the private sector as well as government bodies and inter-OIC organizations. Standards serve as both expectation indicators and quality assurance for guests and lead to increased destination attractiveness and guest satisfaction. They facilitate comparability and add credibility to hotels' offerings. Standards also help motivate staff and increase hotel rates and margins²⁶

2. THE END STATE IF THE PROBLEM ISN'T ADDRESSED IS THAT GROWTH WILL BE LIMITED

If this issue is not resolved, Halal Travel will remain a niche with no clear parameters, there will continue to be a mismatch between the expectations of Muslim travelers and products, and services delivered, which will result in increased dissatisfaction

3. EXAMPLES SHOW HOW AN EFFECTIVE SYSTEM OF STANDARDS CAN BE DEVELOPED

↳ **Europe harmonized hotel standards to the benefit of travelers:**

- Prior to the harmonization of hotel standards in Europe, there were 29 different hotel categorization systems in Europe, with each state adopting its own system, resulting in confusion among travelers on what a three-, four- or five-star classification meant
- The European Consumer Centers' Network, which is co-funded by the European Commission, received almost 900 guest complaints regarding hotels and accommodation services.²⁷ Guests were frequently disappointed with their stay because their expectations were not met
- In 2004 HOTREC, which is an umbrella association of hotels and restaurants in Europe, started to unify the hotel classification system in various European countries. It now has 29 member countries that follow the HOTREC Hotelstars Union system

↳ **The Green Key Global is a good example of what a Halal Travel standard could look like:**

It is an example of an alternative hospitality standard that focuses on sustainability and environmental responsibility. It is a voluntary standard that assesses five operational areas of a property and nine areas of sustainable practices

²⁶ World Tourism Organization. *Hotel Classification Systems: Recurrence of criteria in 4 and 5 star hotels.*

²⁷ The European Consumer Centres' Network. *Classification of Hotel Establishments Within the EU*

“The sector is still held back by a lack of unified standards which creates confusion among service providers”

4. THE ROADMAP TO ADDRESSING THIS CHALLENGE IS COLLABORATION ACROSS THE OIC, SUPPORTED BY A CAMPAIGN FOR INDUSTRY-WIDE ADOPTION

- ↳ **Release of OIC-wide standard, with regional variations:** Work with stakeholders to determine the key features of standards
- ↳ **Acceptance and adoption of standard by all countries:** Once standards are developed, a robust marketing and awareness campaign is needed to ensure service providers can address the standards
- ↳ **Customizing standard to account for local variations:** Local preferences and capabilities must be accounted for.



Stakeholder Feedback

On the Roadmap:

- Hotels around the world cater for Muslim travelers to different degrees, so perhaps there should be a global standard Halal travel rating to distinguish hotels without any specific provisions for Muslim travelers (1 Halal star), from hotels which are fully Sharia-compliant (5 Halal stars). Particularly in countries without a Muslim majority population, this might make selecting hotels easier for Muslim travelers.

MARTIN KUBLER

CEO, sps: affinity, Hospitality Industry Expert and Consultant (UAE)



Interview



Arief Yahya
Minister of Tourism,
Ministry of Tourism of the Republic of Indonesia

Arief Yahya was appointed Minister of Tourism in the Working Cabinet of Jokowi — JK for the period 2014 – 2019 in October 2014.

Previously, he was the CEO of PT. Telkom as well as the Commissioner of PT. Telkomsel, the biggest cellular operator in Indonesia at that time. He is also an alternate member of APEC Business Advisory Council since 2012 and was Head of Ikatan Alumni Elektro (IAE) from 2009 to 2013.

Arief Yahya wrote two books. In his book, *Paradox Marketing* which was launched in 2012, he discusses the harmony and synergy of four Rs: Raga (body), Rasio (ratio), Rasa (feeling) and Ruh (soul). Whereas, he shares his secret to happiness in his book *The Great Spirit Grand Strategy*, published in 2013.

Arief Yahya started his career as a Member of the Management Board at PT. Telekomunikasi Indonesia Tbk. (Telkom) in 1986.

Halal tourism is becoming a highly competitive market in recent years, and tourism bodies are maximizing their potential of attracting this high-revenue market. In this context, what is the role that the Ministry of Tourism in Indonesia play to develop this sector?

The Ministry of Tourism allocated a larger budget towards Halal tourism that is being invested in sales missions and trade shows, educating the local industry, promoting Halal tourism, and developing regulations to strengthen the local Halal tourism sector. The Ministry appointed the Halal Tourism Acceleration and Development Team to develop Halal tourism in Indonesia and is working closely to support the team in developing Indonesia's Halal destinations, and heavily promoting what Indonesia has to offer to Muslim tourists. We also appointed a Visit Indonesia Halal Tourism Officer responsible for promoting Indonesia as a Halal and family-friendly destination in our key source markets.

Indonesia's Halal tourism position elevated into the top ten straight to fourth place globally, realizing its potential as an apex destination for Muslim travelers, as per Global Islamic Economy Indicator 2017. What are the Key developments in 2017 that Government of

Indonesia put in place, through Ministry of Tourism?

In 2016 and 2017 the Ministry of Tourism worked with the Halal Tourism Acceleration and Development Team to mobilize the industry, develop regulation and aggressively promote Indonesia as a Halal and family-friendly destination.

The provincial government of West Nusa Tenggara established **The Regional Regulation of West Nusa Tenggara Province No. 2 Year 2016 on Halal Tourism** that regulates the Halal Tourism Industry, consisting of accommodation facilities, travel agencies, restaurants, and spas.

We started aggressively focusing on the Halal tourism market and simultaneously worked on multiple fronts. We worked with local industry players to improve their product, while educating them on this market and on Muslim traveler preferences based on their country of origin. We established a tourism dashboard through which we measured key performance indicators, which included tourism growth, tourist satisfaction, industry satisfaction and global engagement. For Halal tourism we are developing the Indonesia Muslim Travel Index which monitors the performance of Halal tourism. The Index covers product related aspects including attractions, amenities and accessibility; marketing related aspects, including branding, advertising, selling;

local industry health; and Muslim Tourists arrival performance.

Asian Members are holding the lion's share in the Global Islamic Economy Indicator 2017. Malaysia is leading the Halal tourism industry globally, overtaking the UAE, followed by Indonesia in the fourth place, and Thailand as the fifth globally. How is Indonesia contributing to the ASEAN Development?

Indonesia's Halal tourism industry is contributing to the ASEAN Economic Development through many strategic initiatives conducted by the Pentahelix scheme, which is comprised of academics, businesses, the community, the government and the media.

In addition to Visit ASEAN@50, which is an online portal that highlights ASEAN's 50 best festivals and 50 unforgettable travel experiences, this year Indonesia launched a Global Halal Travel Alliance among ASEAN countries with the objective of increasing intra-ASEAN tourism flow. Core members of the alliance include Indonesia, Malaysia, Singapore, Thailand and the Philippines. This serves as a unified platform for cross-selling among countries and will facilitate collaboration in the form of joint packages as well as joint programs for tourism investment.

Furthermore, Indonesia has agreed to assist Thailand in developing Halal tourism and hospitality within its five southern border provinces through the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) project, a sub-regional cooperation program, aimed at accelerating private-sector led economic growth and helping facilitate the development of the sub-region as a whole.

What actions is Indonesia taking to promote investment in the tourism sector generally and Halal tourism specifically? What are the vital Halal travel attractions in Indonesia?

First and foremost, Indonesia provides incentives for investment in the tourism sector, including tax allowance, import duty exemptions, land tax reduction, and ease of licensing and permits. Last year Indonesia opened up 100% foreign investment in seven business areas related to tourism, including restaurants, sports facilities, travel agencies and tour guides. Furthermore, the government fully supports special economic zones for tourism attractions and destinations by providing fiscal and non-fiscal incentives.

This year, Indonesia offered tourism investment opportunities at the Annual Hotel Conference 2017 in the UK and during the Regional Invest Forum 2017 which was held in Padang, West Sumatera. We selected six priority tourist destinations to be offered to



investors, which consists of destinations in North Sumatra, Bangka Belitung, Banten, Jakarta, Central Java, East Java, and two integrated tourism areas in West Sumatra, Mandeh Beach and Mount Padang.

For the Halal tourism sector, we are highlighting and promoting the top five Halal tourism destinations in Indonesia, namely Aceh, West Sumatera, Jakarta, West Java, and Lombok, for Halal tourism development based on their unique attributes and readiness that will attract both domestic and international Muslim tourists.

This year, Indonesia held meetings with investors from Qatar. Indonesia has also gained the attention of investors from Saudi Arabia, especially with the recent visit of His Highness King Salman. In addition, an investor from China is interested in developing a **Halal Tourism Complex** in **Mandalika**. The integrated development of the **Mandalika Special Economic Zone** will be a high-end destination for tourists, both domestic and international Muslim visitors, especially from China.

Ultimately, our efforts in improving the investment climate within our country has proven fruitful as our ranking in the Ease of Doing Business (EODB) index by The World Bank for 2018 has climbed 19 places to rank 72. On top of that, the Swiss government has plans to make a large investment in Indonesia's tourism industry within the next four years, providing expertise in the hospitality industry and vocational skill development to support our target of attracting 20 million international tourists annually by 2019.

What are the major challenges facing the Indonesian tourism industry? How is Indonesia's Ministry of Tourism seeking to defeat the industry challenges including Halal tourism?

Our first challenge is to increase the value of inbound tourists to Indonesia. We are working on improving awareness on our many attractive destinations by creating

ten New Bali destinations in addition to Halal tourism destinations. Ten existing tourism destinations were set as a priority to be in the level of Bali. These destinations are Lake Toba (North Sumatra), Belitung (Bangka — Belitung Island), Tanjung Lesung (Banten), the Thousand Islands (DKI Jakarta), Borobudur (Central Java), Mount Bromo (East Java), Mandalika Lombok (NTB), Komodo Island (NTT), Wakatobi National Park (Southeast Sulawesi), and Morotai (North Maluku). For Halal tourism, we selected Aceh, West Sumatera, Jakarta, West Java, and Lombok as the geographical focus.

We then focused on increasing awareness through branding, promotion, and marketing efforts, resulting in 46 awards received for Wonderful Indonesia at events in 22 countries in 2016, and 11 awards in 6 countries in 2017, including the 2017 UNWTO Video Competition.

In terms of media placements, we have 29 media outlets to promote Halal Tourism offerings in Indonesia. In addition, branding, marketing, and promotion efforts are also conducted in countries such as the UAE, Saudi Arabia, Russia, Germany, United Kingdom, India, Malaysia, China, and Australia.

We also faced several challenges in the governance aspect within the tourism sector, especially tourism infrastructure. We responded by improving connectivity in Indonesia by developing 15 new airports, 27 runway extensions, and 13 passenger terminals. In addition, we are cooperating with major airlines to create more direct flights from source countries to the destinations that we have developed. We are also developing homestays within the destinations mentioned above, that are modeled after the traditional houses in each destination so that travelers will get the hands-on experience of living like the locals.

Another challenge is within Indonesia's Halal Tourism ecosystem. Indonesia has the largest Muslim population in the world, with more than 80% of the total population in Indonesia being Muslim, which leads to the notion that Halal

is in our DNA and causes the industry players and businesses to overlook the importance of Halal certification. To effectively encourage the industry, the government released a law under the name of **UU RI No. 33 Year 2014 on Halal Product Assurance** which altered the status of obtaining Halal certification from voluntary to mandatory.

The challenge mitigation initiatives we enforced are leading to the growth of

Indonesia in terms of tourism, which is four times faster compared to regional and global growth. At the growth rate of 23.53%, Indonesia beat Malaysia, Thailand and Singapore which all recorded less than 5 percent growth. In terms of Halal Tourism, we are looking at 3.1 million Muslim tourists visiting this year, with a growth rate of 14.1%.



Traditional House in West
Sumatera, Indonesia.



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The land of harmonious diversity

As the world's largest archipelago, consisting of more than 17,000 islands, it's natural that Indonesia owns a set of harmonious exotic cultures. Being a nation home to sophisticated diversity, an exquisite acculturation between the indigenous traditions and various influences is unmistakably inevitable. Crafting a complex yet alluring infusion. A well-balanced symphony between numerous impactful values this archipelago has. Situated along the equator, making Indonesia a perfect destination to enjoy the warmth of tropical sunshine. This grandiose nature offers numerous type of momentous break for you to jump in. Make these fascinating stops as part of your travel plan in the upcoming periods.



Padang, West Sumatra

Padang

Padang is a merchant town amidst the largest port on Sumatra's west coast, where you can spot numerous century-old warehouses. The scent of aromatic spices outbursting the sphere with an energetic fragrant. As a city abundant in art and culture, it is the origin of popular legend Malin Kundang and Indonesia's classic novel Sitti Nurbaya. The legend took place in Air Manis, Padang's most well-known beach. They own various type of festivals held related to the stories in order to support their tourism sector. Besides, they also have The Batang Arau River perfecting the majestic nature. It is a river that flows through the city. You may witness an



Padang Cuisine

alluring panorama of small boats and hand paddled ferries lining the riverside. Padang is also popular with its exquisite cuisine such as the infamous rendang beef. Most of the traditional dishes have a distinct taste of savory and aromatic spices.

Lombok

Lombok is well-known of having a grandiose nature perfected with limitless leisurely activities. The development of Mandalika Special Economic Zone brings various pleasurable corners such as hotels, resorts, beaches, spas, and numerous other stops to the island. But the real star of this tropical paradise is undoubtedly their mind-blowing natural landscapes and the exceptionally unique culture. There's a traditional village where Sasak, the original tribe lives named Sade Village. There, you'll



Batu Payung Beach, Lombok

discover houses built with local wisdom. Since adolescence, Sade's women are taught to weave and it's an exciting activity to watch. You may witness them weaving beautiful textiles as well as crafting necklaces, bracelets, key chains and more.

Lombok is also abundant of magnificent beaches including Kuta, Tanjung Aan, Seger, Serenting Beach, etc. Kuta Beach is a perfect spot to enjoy playing water sports while relishing white powder-like sand. Well known of its pepper shaped sand, Tanjung Aan has an enchanting panorama you can relish from above Merese Hill. For more cultural insights, stop by Seger Beach when Bau Nyale Festival takes place. When you fancy a peaceful and serene beach, stop by Serenting Beach for their private-like ambiance.

It is just a glance of our infinite pleasure you'll discover. From tranquil cultures to the challenging natures, everything is enchantingly magnificent. Explore the beauty of our paradise. Push your limit and travel further. There are endless possibilities you can come across, here, in the archipelago of Indonesia.

Now, find out more on which stops you consider would suit you the most.



Interview



Riyanto Sofyan

Head of Accelerated Development of Halal Tourism,
Ministry of Tourism of the Republic of Indonesia

Riyanto Sofyan has 36 years of experience in the hospitality and tourism business. Riyanto Sofyan conceived the Halal aspect in hospitality and tourism in 1992, and implemented this concept in his chain of hotels, while ensuring inclusiveness of all guests. This resulted in increased revenue and growth.

In 2012, Riyanto was appointed as Strategic Partner to The Ministry of Tourism of the Republic of Indonesia to develop and enhance Halal tourism in Indonesia. In 2016, the Ministry appointed him to head the Team for Accelerated Development of Halal Tourism.

Riyanto also holds active positions in several industry organizations including the Chairman of Halal Tourism Indonesia Association (HTIA/PPHI), Vice Chairman of Indonesia Hotel and Restaurant Association (IHRA/PHRI), Chairman of Sharia Economic Community (SEC/MES), Vice Chairman of Halal Tourism Indonesia, Chamber of Tourism Industry of Indonesia (CTII/GIPI), and Chairman of Indonesia Muslim Entrepreneur Associations (IMEA/ISMI).

As a head of Halal Tourism Development in Indonesia, how do you see the broad trends in the Halal tourism industry? And how does this shape the Indonesian Halal tourism industry?

In addition to the increased interest in Halal tourism, the broad trends we are observing are: an increase in spending power of middle income families around the world, allowing more Muslims to travel for leisure — beyond hajj and umrah trips. Furthermore, beyond basic sight-seeing and shopping packages, Muslim travelers now expect their needs to be met while partaking in trips ranging from adventure travel to beach holidays as well as in immersive experiences. Non-Muslim countries, such as Thailand, Japan and Korea are starting to target the Muslim travel segment and are developing products tailored to the needs of Muslim travelers. Globally there are travel companies leading the way in Halal tourism by offering unique experiences to Muslim travelers. Domestically, Indonesians are traveling more to explore their country and expect their faith based needs to be met.

These trends have influenced the Indonesian Ministry of Tourism and encouraged it to make Halal tourism a core area of focus.

What is the role of the Halal Tourism Acceleration and Development Team within the Ministry of Tourism? What are the major developments that the department provides to improve Indonesia's ranking?

The Halal Tourism Acceleration and Development Team was appointed by the Minister of Tourism as a dedicated team to focus on the development and promotion of Halal tourism in Indonesia. Although Indonesia already had all the ingredients for Halal tourism, as we say it's in our DNA, it wasn't focused on promoting the destination as a Halal or family-friendly destination.

The strategy of the Halal Tourism Acceleration and Development Team focuses on four key areas:

1. Policy/Regulation Development: Lobbying top government officials to get their support and commitment on Halal Tourism, including approving related policies, implementing regulations and allocating the budget required, as well as stimulating the development of Halal tourism at the Central Government and Provincial Government levels.
2. Supporting Marketing and Selling Activities: Developing and launching integrated marketing campaigns targeting Indonesia's core target markets for Halal travel based on our marketing

strategy. First we match countries of origin and time of travel with Indonesia's Halal destinations that most suitable to the travel preferences of each market. We then conduct targeted advertising and selling campaigns. Our promotional efforts including using paid advertising, content marketing, social media, and influencers.

3. Destination development: Improve industry and destination competitiveness offerings through quick win programs with clear KPIs and global benchmarking. This involves the improvement of existing attractions, developing new attractions, improving accessibility to attractions, as well as enhancing the amenities provided.
4. Capacity building: Increasing the awareness of industry players and community stakeholders on the importance of the Halal Travel market and how to address it. Providing capacity building to the tourism workforce, industry players and communities, as well as developing Halal Certification.

The Halal tourism marketplace is facing increasing competition and challenges. As part of the tourism regulatory authority, are there any operational or regulatory challenges faced by the industry? What is the role of the ministry in

minimizing the extent of challenges to protect the market?

Some of the challenges we face in the Halal tourism space are limited adoption of Halal certification on behalf of industry players and underpromotion of Indonesia as a Halal-friendly and family-friendly destination.

One of the ways that The Halal Tourism Acceleration and Development Team is working on building the awareness and commitment of the industry is through educational workshops. We recently held an interactive workshop with Indonesian inbound travel agencies, during which we had them work in groups to develop Halal tourism packages, including detailed itineraries tailored to different target segments. We plan to implement some of these new packages once they are ready to be marketed. The new packages include a Halal Cruise to Aceh, a Qurbani Tour in Lombok, and a trip to The First Halal Beach in Indonesia, which is located in Banyuwangi, East Java. This year we will conduct a series of Halal tourism business gatherings, the first of which will be for top tourism industry leaders and will focus on helping them develop a Halal tourism strategy and action plan. This will be followed by a wider gathering of industry players that will guide them on targeting the Muslim market, during which we will share actionable programs for different tourism businesses including travel agencies, hotels, restaurants and spas.



To motivate destinations within Indonesia to focus on Halal tourism, we launched a series of awards, which succeeded in creating a healthy competition among destinations. These internal competitions propelled Indonesia to win a series of awards including the World's Best Halal Tourism Destination and the World's Best Halal Honeymoon destination for Lombok, the World's Best Halal Destination for West Sumatera, the World's Best Halal Culinary Destination for Padang, West Sumatera, and the World's Best Halal Cultural Destination for Aceh.

In terms of regulation we have established a Halal standard for the hospitality and food and beverage sectors, and we regularly hold informational seminars and technical workshops to educate industry players on the importance of certification and how to become certified. Being a Muslim country where Halal food and Muslim-friendly facilities such as masallahs and ablution facilities are widely available, it is sometimes difficult to convince the industry of the importance of becoming Halal certified. However, we repeatedly communicate that Muslim tourists from certain destinations require the assurance of Halal certification and that becoming certified makes it easier to sell their products and services.

What are Indonesia's top Halal destinations and what is unique about each of them?

Our top Halal destinations are

1. Lombok — renowned as a global Halal honeymoon destination
2. West Sumatera — known for its exquisite Halal cuisine and natural attractions
3. Aceh — worldly renowned as a global Halal Cultural Destination
4. Jakarta — the capital city of Indonesia and the hub for leisure, especially shopping and visiting the beautiful Thousand Islands.

5. West Java — best known of its variety of natural attractions that are Muslim – Friendly and the go-to destination for adventure tourism.

We are also looking into more targeted pairing of source markets with destinations that are not currently on the top for those markets but which have a great deal of potential because of the affinity of what those destinations have to offer with the target market preferences.

For example, tourists from the Middle East are interested in beach and nature tourism, in addition to health and wellness tourism, which includes spas, and shopping tourism — all of which Indonesia has to offer. Therefore, the top Muslim-friendly destinations that we promote to tourists from the Middle East are Lombok, West Sumatera, Jakarta, and West Java.

On the other hand, visitors from Asia Pacific prefer to go sight seeing, shopping, visit Islamic Heritage sites, and enjoy nature and scenery. Based on their preferences, we promote Aceh, Jakarta, West Java, West Sumatera, West Nusa Tenggara.

Finally, tourists from Europe prefer sight-seeing, shopping, nature, exploring traces of Islam, and going on adventures when they travel. Based on European tourists preferences, we promote Aceh, West Sumatera, and West Nusa Tenggara to European tourists.

What actions is Indonesia taking to attract investments in Halal tourism industry? What are the key countries that Indonesia is looking forward to collaborate with?

The Government and The Ministry of Tourism has been working on numerous fronts to improve the Halal tourism investment climate. These include participating in tourism investment conferences as well as conducting trade and investment missions in key countries to attract investors to Indonesia and to communicate the tourism investment opportunities available.

In terms of the key countries to collaborate with for the investment in the Halal tourism sector, we are looking to collaborate with the Arabian Gulf countries, Russia, United Kingdom, India, and China.

We recently held meetings with investors from Qatar focusing on projects in Mandalika in Central Lombok, in which one of the projects is building a Halal resort. We are also currently in talks with an investor from China in developing **Halal Tourism Complex** in **Mandalika**. Indonesia has gained the attention of investors from Saudi Arabia, especially with the recent visit of His Highness King Salman.

What programs do you plan implementing in 2018 to promote tourism in Indonesia?

Indonesia aims to attract 3.8 million Muslim visitors in 2018, and five million by 2019, which will contribute towards its target of 20 million international visitors by 2019.

Next year we will hold an Indonesia Halal Tourism Expo to which we will invite buyers from our target markets. Our team will embark on a series of sales missions to top targeted cities such as Jeddah, London, Mumbai, Singapore and Sydney. This is from an industry level, from a traveler perspective, we are looking into launching a Muslim Lifestyle Festival that involves food, fashion, shopping, and entertainment.



Air Terjun Tiu Kelep waterfall near Rinjani, Senaru, Lombok, Indonesia.



A model walks on the runway for Anniesa Hasibuan FW17 collection runway show during New York Fashion Week, USA. Sam Aronov / Shutterstock.com



Modest Fashion Sector

Modest Fashion has emerged from the sidelines of the fashion industry to have a firm place on the catwalks and in high street stores. Fashion brands Dolce & Gabbana and H&M have both used Hijabi models and created Modest Fashion collections to appeal to Muslim women.

Muslim spend on apparel and footwear has been estimated at \$254 billion in 2016, increasing by four percent from 2015 and expected to grow by 7 percent per year to reach \$373 billion by 2022.

Muslim millennials, women in particular, are driving this market forward, both as consumers and designers. Indeed, Modest Fashion is proving to be particularly innovative, blending local styles from cultures as diverse as Malaysia and the Middle East, to New York and London. This is especially apparent in Hijab design, with stores popping up offering wide ranges of styles, to mainstream athletic apparel companies like Nike and Denmark's Hummel developing Hijab sports lines.

Modest Fashion is gaining traction online through new retailers like Modist, and more established players like Net-A-Porter dedicating its Spring/Summer 2017 campaign to Middle Eastern women. Instagram is proving to be a major influencer, while brands are using Muslim bloggers to both develop and highlight collections. The internet has also been successfully utilized to raise seed funding as well as appeal to venture capital firms and angel investors.

With Muslim spend on clothing \$254 billion in 2016, and forecast to reach \$373 billion by 2022, OIC governments and incubators are supporting Modest Fashion brands and suppliers to diversify their product offerings and adapt to consumer demand.

Yet while mainstream acceptance of Modest Fashion by the fashion industry is on the rise, negative attitudes towards Islam is hindering growth in certain markets. Restrictions on covered clothing in Europe is increasing, and the Chinese government banned veils in public places in Xinjiang province.

Nonetheless, with the fashion industry showcasing Modest Fashion as never before, and the growth of Muslim spend on clothing reflecting that of global growth, this segment is going to offer major investment opportunities in the years ahead.

MODEST FASHION

MARKET SIZE¹

How much does global Muslim market spend on clothing?



BENCHMARK

How does global Muslim market compare to top global clothing markets?

(2016 est., US\$ Billion)



TOP MARKETS BY SIZE

Top Muslim Clothing Consumption Markets

(2016 est., US\$ Billion)

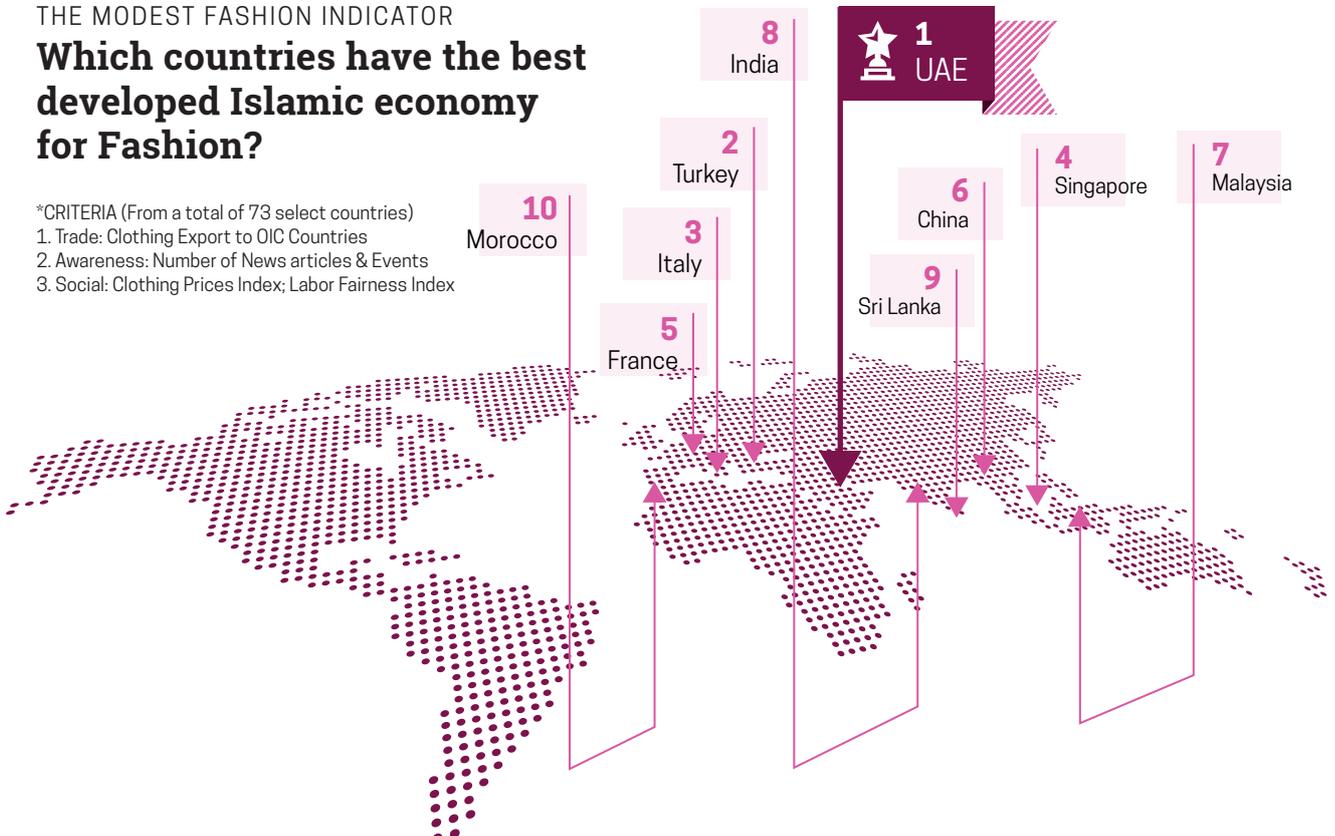


THE MODEST FASHION INDICATOR

Which countries have the best developed Islamic economy for Fashion?

*CRITERIA (From a total of 73 select countries)

1. Trade: Clothing Export to OIC Countries
2. Awareness: Number of News articles & Events
3. Social: Clothing Prices Index; Labor Fairness Index



1. Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2016 Database for projections. See Report for full methodology.

TRADE BY OIC* COUNTRIES
OIC markets clothing trade breakdown (2016 est., US\$ Billion)
 (Clothing manufacturing only)



16%
OIC Exports
 \$81 Bn

Global Exports
 \$496

84%
Non OIC Exports
 \$415

\$81 Bn Value-added clothing exports by OIC countries



8%
OIC Imports
 \$35 Bn

Global Imports
 \$453

92%
Non OIC Imports
 \$419

\$46 Bn Value-added clothing trade surplus by OIC countries

Which countries export most clothing to OIC countries? (2016 est., US\$ Billions)

CHINA	\$17.5
India	\$5.4
Turkey	\$2.7
Bangladesh	\$1.3
Italy	\$1.0

Issues & Opportunities Map

Products & Services

- ✓ Luxury modest wear
- ✓ Modest sportswear
- ✓ Modest wear for teens/tweens
- ✓ Sustainable modest wear
- ✓ Fashion meets tech = product innovations
- ⚠ Imitation products
- ⚠ Western brands creating modest fashion lines

Consumer Needs Ecosystem

- ✓ Co-branding with Cosmetics
- ✓ Untapped Muslim-minority markets
- ✓ Hijab-wearing role models
- ✓ Peripheral services (media, modeling agency)
- ✓ Comarketing with halal travel
- ✓ Collaboration with mainstream retailers

Financing

- ✓ Government support for SMEs
- ✓ Angel/VC investment
- ⚠ IF investment
- ⚠ Limited modest fashion incubators /accelerators

Policies, Regulations & Operations

- ✓ Vertical integration
- ✓ Sports federations relaxing regulations on hijabs
- ⚠ Islamophobia, hijab bans
- ⚠ Increasing pressure for sustainable fashion
- ⚠ Patent/Copyright issues
- ⚠ Talent scarcity

✓ Opportunity ⚠ Challenge



Selected Key Players

Raw materials inputs

Armine (Turkey)
 Tekbir (Turkey)

Retailers

Jo Lamode (Qatar)
 Moshaiet (Indonesia)
 Modanisa (Turkey)
 Islamic Design House (UK)
 Sefamerve (Turkey)
 Hijup (Indonesia)
 Saqina (Indonesia)

Designers/Labels and Value Add manufacturers

Aab (UK)
 Itang Yunasz (Indonesia)
 Naelofar (Malaysia)
 Haute Hijab
 Ruh Collective (UK)
 SHUKR (UK)
 Dian Pelangi (Indonesia)
 DAS Collection (UAE)
 Rabia Z (UAE)
 Assila (China)

Nashata (Malaysia)
 Mumine (Belgium)
 Veil (USA)
 Alsharifa (USA)
 PT Shafira LarasPersada (Indonesia)
 Elzatta (Indonesia)
 Alya Sarah (Malaysia)
 DKNY Ramadan Collection
 Melinda Looi
 Joe Chia and Silas Liew
 Dian Pelangi (Indonesia)

Modest Fashion Indicator

The 2017 *State of the Global Islamic Economy* Report revisits the Modest Fashion Indicator (MFI) to evaluate countries' health and development of their Modest Fashion ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

The UAE, Turkey, and Italy lead this year's Modest Fashion Indicator ranking that focuses on the health of the Modest Fashion ecosystem in a country that is relative to its size and includes its related social considerations.

The indicator equally weights three metric categories and has the following metrics for each (full methodology is presented in the Appendix):

- ✎ Supply drivers relative to country size (clothing export to OIC countries)
- ✎ Awareness (Number of news articles and events)
- ✎ Social (clothing pricing and labor fairness indexes)

The top ten countries in the Modest Fashion Indicator



Modest Fashion	Sector Score	Clothing Export to OIC	Awareness Score	Social Score	GIE Ranking
United Arab Emirates	63	64	93	32	2
Turkey	37	70	13	28	16
Italy	34	19	6	77	54
Singapore	33	29	9	60	13
France	32	10	8	77	43
China	32	60	0	35	49
Malaysia	31	8	34	50	1
India	30	30	1	58	28
Sri Lanka	29	9	0	78	18
Morocco	27	4	11	67	21

United Arab Emirates (UAE) continues to lead, followed by Turkey

The UAE continues to lead the ranking for the second year, underpinned by its strategic push to be the capital of the Islamic Economy, maintaining a strong score across all parameters, albeit with a notable decline in clothing exports to the OIC.

Turkey continues to occupy second place in this year's rankings, boosted by sizeable clothing exports to the OIC, and an improvement in its awareness score.

Italy and Singapore move up

Italy's rise to fourth place was underpinned by an increase in clothing exports to the OIC, supporting by an increase in awareness of the Modest Fashion opportunity. Singapore has also been boosted by increasing clothing exports and an improvement in awareness.

Malaysia enters the top ten, with several other key movements

Malaysia has moved into the top ten, boosted by a strong awareness score as the country capitalizes on increasing interest globally in Modest Fashion, with Morocco also edging in at tenth place. Bahrain has moved out of the top ten due to substantially lower exports of clothing to OIC countries, with Togo also following suit.

India, China and France have remained in the top ten, despite fluctuations in their ranking positions, with India dropping four places, China dropping two places, and with France moving up by three places.

Modest Fashion Market Sizing

“Muslim spend on clothing showed robust 4.2 percent growth from 2015 to 2016 – an important backdrop for Modest Fashion”

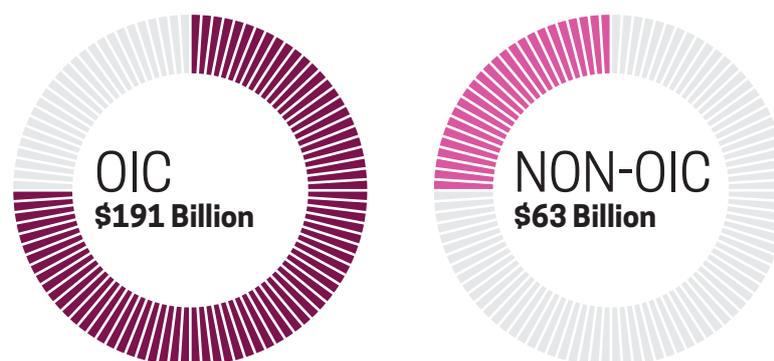
Market size and profile — Global Muslim consumer spending on clothing at \$254 billion (11 percent of global expenditure) in 2016

This Report estimates Muslim populations globally to have spent a total of **\$254 billion** on clothing in 2016, **11** percent of the global market expenditures of **\$2.3 trillion**. This is a growth of **4.2** percent from the previous year, and is comparable to global market growth of **4.3** percent. Muslim spending on clothing is expected to reach **\$373 billion** by 2022, a CAGR of **6.8** percent from 2016.

The Muslim market for clothing ranked third behind the U.S. (\$412 billion) and China (\$357 billion), and ahead of the U.K. (\$116 billion) and Germany (\$103 billion).

Muslim countries with the highest spend on Muslim fashion in 2016 were Turkey (\$27.4 billion), the UAE (\$20.8 billion), Nigeria (\$17.6 billion), Saudi Arabia (\$16.0 billion), and Indonesia (\$13.5 billion). Russia and India., countries with Muslim minorities, also spent \$11.9 and \$11.1 billion, respectively.

Breaking down and referencing Muslim spend in 2016





Key Developments in 2016/17

The emergence of new players, brands and segments

There is more emphasis on newer product categories, styles and customer segments

- ↳ 10-year old Amaya Diggins created “Hijabi Fits” via Launchgood, for teenage Muslim girls in the U.S.¹

New online players are emerging, buoyed by the success of Modest Fashion

- ↳ The Modist, a London-based e-commerce platform for luxury Modest Fashion was launched along with a digital magazine “The Mod”²
- ↳ Asiya, a modest sportswear label, was successfully crowdfunded on Kickstarter³

OIC countries are increasingly turning their attention towards Modest Fashion

- ↳ Malaysia held the first-ever Asia Islamic fashion week⁴
- ↳ Afghanistan launches its first women’s magazine named Gellara⁵

Increasing industry maturity and sophistication

Established Modest Fashion brands are expanding

- ↳ London-based Aab entered 14 Debenhams stores in the Middle East and Southeast Asia⁶
- ↳ Lebanese Hijab producer Bokitta is expanding distribution in Southeast Asia⁷
- ↳ Khaadi becomes Pakistan’s favorite retail brand⁸

Mainstream apparel companies are addressing Modest Fashion

- ↳ Nike announced a new ‘Pro Hijab’ sportswear line to be launched in Spring 2018⁹
- ↳ Danish label Hummel released an integrated Hijab jersey¹⁰

1 Khalil, A. 2017. Meet the 10-Year-Old Muslim Entrepreneur of Hijabi Fits. My Salaam.

2 Seth, S. 2017. Modest luxury a ‘large, untapped market,’ says CEO of brand new fashion e-retailer The Modist. Salaam Gateway - Islamic Lifestyle.

3 Kickstarter. 2017. Kickstarter.com.

4 Aquila style. 2017. Asia Islamic Fashion Week: A Modest Affaire!.

5 Mishra, R. 2017. Gellara, Afghanistan’s First Women’s Magazine is breaking taboos: Brave Muslim women talk about fashion, lifestyle and modern life!.

6 Alim, E. 2017. Spurred by Debenhams, modest wear Aab banks on ‘encouraging growth’ from Mideast. Salaam Gateway - Islamic Lifestyle.

7 Borneo bulletin. 2017. Store Selling Popular Hijab Gets Grand Opening.

8 Fibladi. 2017. Khaadi becomes Pakistan’s favourite retail brand in 18 years: Shamoos Sultan.

9 Salaam Gateway. 2017. Sportswear giant Nike to retail new ‘Pro Hijab’ Spring 2018. Salaam Gateway - Islamic Lifestyle.

10 Lanquist, L. 2016. New Soccer Jerseys With An Attachable Hijab Give Female Players More Options.

- ↘ Dolce & Gabbana developed a Ramadan Campaign in collaboration with the Dutch Hijabi Influencer Ruba Zai¹¹

Modest Fashion is increasingly gaining traction in mainstream media and non-Muslim countries

- ↘ Former Miss USA Halima Aden became the first Hijabi model to be the cover of Vogue in Vogue Arabia¹²
- ↘ Net-A-Porter dedicated its Spring/Summer 2017 campaign to Middle Eastern women, featuring blogger Ascia Al-Faraj¹³

Investments and financing wins

VC firms and angel investors are increasingly investing in Modest Fashion companies

- ↘ Indonesia's Muslimmarket raised Series A funding from 500 Startups and other regional investors¹⁴
- ↘ Modanisa closed the fourth round of funding led by Dubai's Wamda Capital¹⁵

OIC governments and accelerators are supporting Modest Fashion brands and suppliers

- ↘ U.K.-based online store Amaliah has received a 'six-figure sum' seed funding from angel investors and is part of Ignite¹⁶
- ↘ The Turkish government announced a \$2.8 billion investment scheme with textile company Iskur group receiving \$100 million investment¹⁷

- ↘ Armada Retail Concepts, a fashion retailer leader in the GCC, announced a design collaboration between Armada's bestselling brand RIVA Fashion and designer Manish Arora¹⁸

Regulatory and operational developments

Modest Fashion is being restricted in several non-Muslim countries

- ↘ European restrictions on covered clothing is increasing¹⁹
- ↘ The Chinese government has prohibited "abnormal" beards and veils in public places in Xinjiang province.²⁰

Incubators and entrepreneurship competitions are starting to address Modest Fashion

- ↘ London's Haute Elan opened Modest Fashion pop up boutique and co-working space for women entrepreneurs²¹
- ↘ AirAsia launches a fashion competition for ASEAN designers.²²

11 Glamour Netherlands. 2017. Dolce & Gabbana komt met Ramadan Campagne in samenwerking met de Nederlandse Ruba Zai.

12 Ozemebhoya, E. 2017. Halima Aden Lands Her First 'Vogue' Cover.

13 Day, E. 2017. Net-A-Porter Just Launched Its First Ever Middle Eastern Campaign With a Hijabi Model. Emirates Woman.

14 Maulani, A. 2017. Muslimmarket raises Series A, aims to be the "Zara and H&M" of Muslim fashion.

15 Salaam Gateway. 2017. Modanisa closes fourth round of funding led by Dubai's Wamda Capital.

16 Christian, B. 2017. Hijabs meet high fashion: Amaliah helps Muslim women find style - and a voice - online. Wired UK.

17 Butler, D., and Pamuk, H. 2017. Textile company places rare bet on Turkey's Kurdish southeast. Salaam Gateway - Islamic Lifestyle.

18 Stylecov. 2017. Riva Joins Forces With Manish Arora.

19 Salaam Gateway. 2016. Employers can forbid headscarf if general ban in place – EU court adviser. Salaam Gateway - Islamic Lifestyle.

20 Salaam Gateway. 2017. China sets rules on beards, veils to combat extremism in Xinjiang.

21 Salaam Gateway. 2017. London's Haute Elan opens city's first pop-up multi-brand modest fashion boutique, women's co-working space.

22 Air Asia, (2017). Regionwide search platform for Asean designers to shine.

Opportunities and Challenges

Summary: Modest Fashion can experience substantial growth through multi-channel expansion and investment, but is at risk of being pigeon-holed if it does not take steps to re-brand itself beyond a niche.

✔ OPPORTUNITIES

⚠ CHALLENGES

1. CHANNEL EXPANSION IS A CRITICAL OPERATIONAL STEP FOR GROWTH

✔ **Shifting retail strategy from online-to-offline** will precipitate substantial growth and brand recognition, and can give rise to fully vertically integrated Modest Fashion companies with production capabilities and online as well as offline distribution channels

✔ **Shifting production from a focus on low cost to sustainability** is a real opportunity for Modest Fashion to appeal to values-based consumers, and creating a stronger linkage among OIC countries that produce and market modest fashion

⚠ **Government agencies imposing regulations against religious attires** can limit the reach of the industry in non-OIC countries, resulting in a fragmented market, as demand tends to be more concentrated in some regions than others

2. HOWEVER, LIMITED MARKETING SOPHISTICATION CAN LIMIT GROWTH

✔ **Global modest sportswear remains an exciting product segment**, and could give rise to a scaled global modest sportswear brand that is a regular sponsorship fixture in major sporting events, and a go-to for Muslim women seeking to compete athletically

⚠ **The lack of marketing sophistication can limit industry reach**, with mainstream brands entering the industry and capture market share for highly lucrative categories, and with Modest Fashion companies unable to compete effectively on product quality or price

⚠ **Counterfeits of original brands is a common issue in the industry** and can be costly, contributing to a lack of product innovation, more 'me too' products—limiting the scale of Modest Fashion companies

3. CONVERGENCE WITH FINANCE AND INVESTMENT IS A CRITICAL ENabler FOR SECTOR GROWTH, WITHOUT WHICH MODEST FASHION WILL REMAIN A NICHE

✔ **Accelerators can play a key role** in helping promising Modest Fashion companies scale, and start a journey to creating multi-billion dollar entities with a global footprint

✔ **Participation banking has a robust potential customer base** in Modest Fashion, and can address the diverse needs of rapidly expanding Modest Fashion companies, from working capital and capital expenditure to international trade

⚠ **However, a continued lack of funding will limit the growth trajectory** of Modest Fashion companies. Accordingly, there will be a high failure rate for companies seeking to expand, with limited global success stories, and it will be left to large multinationals to realize the opportunity

4. INTER-SECTOR CONVERGENCE AND OPPORTUNITIES ARE RIPE FOR EXPLORATION, ESPECIALLY FOR LIFESTYLE PRODUCT CONGLOMERATES

✔ **There are robust co-marketing opportunities** with players in the travel sector and products sector, with Modest Fashion a potential driver of tourism and a linchpin for attracting Muslim tourists to OIC countries, and powerful retail propositions combining fashion with retail products.



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Trajectory and Roadmap

✔ OPPORTUNITY

MULTI-CHANNEL EXPANSION: Modest Fashion companies can grow through multi-channel retailing, gradually shifting retail strategy from relying on one main channel of distribution towards online-to-offline (O2O).

1. THE CORE OPPORTUNITY IS INTEGRATING CHANNELS TO ACCELERATE GROWTH

As startups, most Modest Fashion businesses only rely on one retail channel, whether it's a brick-and-mortar store, a website, or an Instagram account. However, limited customer experience can hinder the growth of the business. Having an integrated online-to-offline (O2O) retail channel can help Modest Fashion companies grow by reaching a wider base of customers while also providing them with a comprehensive "touch-and-feel" experience required by fashion-forward consumers

2. THE END STATE COULD BE A MULTI-BILLION-DOLLAR GLOBAL MODEST FASHION COMPANY

There will exist leading fully vertically integrated Modest Fashion companies with revenues exceeding \$1 billion, with integrated production capabilities and online as well as offline distribution channels, catering to customers from different age groups, geographic areas, and shopping preferences. These companies will have the ability to fulfil orders, as the customer requests, either delivering to customer homes within 24 hours, or enabling them to collect items in-store

3. EXAMPLES SHOW HOW TRAVEL AN O2O STRATEGY HAS BENEFITED RETAILERS, AND IS BEGINNING TO WORK FOR MODEST FASHION STARTUPS

- ✎ **Physical expansion has been core to the growth of online retailers:** Zalora, Asia's leading fashion e-commerce store owned by Rocket Internet, has successfully grown its user base in Singapore and Hong Kong by opening physical stores in select locations²³
- ✎ **Leading retailers are actively pursuing an integrated, omni-channel strategy:** Traditional retailers like Macy's, Nordstrom and Sears have adopted omni-channel innovations in an effort to compete with e-tailers like Amazon and Alibaba²⁴
- ✎ **Aab is leading the way by implementing its O2O strategy:** Initially sold only through an online platform, London-based Modest Fashion brand *Aab* has made investments in brick-and-mortar shops²⁵ before recently scoring a partnership with Debenhams to make their collections available in the Middle East²⁶

²³ Steimle, J. 2015. How Online Retailer Zalora Is Using An Offline Store To Grow In Hong Kong. *Forbes*.

²⁴ Flora, L. 2017. Amazon vs Alibaba: Who's Ahead with O2O. *L2 Daily Insights*.

²⁵ Asian Image. 2017. Islamic clothing boutique 'Aab' to open first store in London.

²⁶ Mann, T. 2017. Debenhams becomes first department store to sell the hijab and other Muslim clothing. *Metro News*.

“Multi-channel retailing is a critical step in the rapid scaling of Modest Fashion companies”

4. THE ROADMAP TO REALIZING THIS OPPORTUNITY INVOLVES A ROBUST CHANNEL EXPANSION STRATEGY THAT ENABLES AN EASIER, SEAMLESS CUSTOMER JOURNEY

- **Assess the risks of expanding into new channels and mitigate the risks where possible.** For example, setting up “pop-up” stores as opposed to committing into a long-term lease is a good way to test the market potential of a physical retail space
- **Deploy multi-channel retailing strategy.** At this stage, companies serve customers through non-integrated online and offline channels to understand how different touch points serve different purposes
- **Launch integrated O2O strategy** adapted to customer’s behaviors and preferences.



Stakeholder Feedback

On the Roadmap:

- Cost would be a key consideration, perhaps also concern about being able to deliver on an experience that is genuine to the brand.

SUBHI BORA

Co-creative of Modest Bride (Australia)

On the End State:

- Fashion designers and retailers cannot rely solely on an online presence. Clothes are products that don’t have digital attributes, meaning that people need to touch and feel the fabrics. Thus, the combination of offline and online retail approaches is perhaps the best strategy to market fashion products.

RAHMAT RAMADAN

Business Development Head of Restu Anggraini (Indonesia)

▲ CHALLENGE

BRAND LIMITATION: Failing to broaden the Modest Fashion brand appropriately can limit the sector to a fragmented niche within clothing.

1. THE CORE CHALLENGE IS AROUND MODEST FASHION BRANDED AS A NICHE

Diversifying and branding Modest Fashion as a mainstream fashion subculture, appealing to a hugely relevant segment of mainstream fashion market & style subculture. Modest Fashion has been a huge success as a movement, but to be a sustainable industry it needs to not only break into mainstream fashion, which it more recently has, but it also needs to command a permanent position in the global retail fashion space

2. THE END STATE IN THE WORST CASE COULD SEE THE INDUSTRY REMAINING LARGELY FRAGMENTED

Modest Fashion is hugely attractive but could lose momentum without the appeal to a customer base, resulting in a wide range of small companies unable to scale, with lost opportunities in product development, and with the consumer losing out in terms of product quality and range

3. EXAMPLES SHOW HOW COMPANIES AND FOUNDERS HAVE EXPANDED THEIR BRANDS TO INCORPORATE MULTIPLE CUSTOMER SEGMENTS

- ↘ **The Row has the ability to market modesty to a broad consumer base.** It is a luxury brand from the U.S., whose main design DNA is modest, was founded, and is run by, celebrity twin sisters from Hollywood
- ↘ **RIVA and Choice have shown how a brand can be flexed to cover other categories.** Both are fashion brands from the Kuwaiti Group Armada Retail, which also franchises the classic luxury fashion brand ESCADA, entered the Modest Fashion category with a new brand, NU, originally from Turkey. All three brands, RIVA, Choice and NU, are known for their Modest Fashion aesthetics, offerings and design. The brands are available in major malls in the Middle East and Turkey^{27 28 29}

4. THE ROADMAP TO ADDRESSING THIS CHALLENGE CENTERS AROUND DEVELOPING A ROBUST BRANDING STRATEGY AND COLLABORATING WITH INFLUENCERS

- ↘ **Leverage creative mainstream branding & marketing strategy appealing to a global fashion audience:** For example, including a diverse mix of models for ads & campaigns and as brand ambassadors that include influencers from mainstream fashion, women of color, Hijab wearing models, non-Hijab wearing Middle-Eastern models (as used by the United Colors of Benetton, but include Hijabi women)

²⁷ RIVA. c2017. RIVA website.

²⁸ Choice. c2017. Choice website.

²⁹ NU. c2017. NU website.

“Modest Fashion companies need to embrace a broader consumer base, appealing to Muslims and non-Muslims alike”

- **Collaboration is key:** #AsciaLovesRiva, a Hijabi blogger, collaborated with RIVA to create her modest line of clothing for two successful seasons
- **Inclusive style DNA that fits well into major mall stores/ concessions:** Creating brands with a language of modern Modest Fashion styles speaking to all demographics especially in Muslim communities, reflecting a strategy used by high street retailer Zara
- **Focus on quality, strong DNA, and workmanship:** Let the brand speak for itself when it comes to originality, innovation in design, fabrics and quality, even if it is for a niche market versus using Hijab with mediocre designs to attract this lucrative market.



Stakeholder Feedback

On the Roadmap:

- When I developed the idea of the Modist, I knew that I had to cater to all women who dress modestly across faiths, regions, age groups and sizes, to build a platform that embraces women of different backgrounds.

GHIZLAN GUENEZ
Founder and CEO, The Modist (UAE)

On the End State:

- There's always going to be room for players to serve niches within the realm of Modest Fashion as the spectrum of it is so wide. You have an array of women who have different needs, be it the conservative customer, the moderate customer, or the modest dresser looking for luxury fashion.

GHIZLAN GUENEZ
Founder and CEO, The Modist (UAE)





Halal Media and Recreation Sector

Islam has an exceedingly rich and diverse culture, spanning Africa and the Middle East, to India, Central Asia, Malaysia, Indonesia and the Philippines. But despite such diversity, the Muslim narrative has been defined by others in recent decades. Today, there is a reclaiming of that narrative, with a re-emergence of Muslim culture on TV screens, in books and online.

The sector has been sized at \$198 billion in 2016, increasing by five percent from 2015 and expected to grow by 6 percent per year to reach \$281 billion by 2022.

Taking a leaf out of the Christian-themed media book, new movies and TV series are being produced to appeal to Muslims worldwide. Mainstream media is also embracing Islamic content, be it BuzzFeed launching a “Snapchat” collection that collates Muslim life experiences, or Amazon Channels offering films and documentaries about Muslim culture through video-on-demand service Alchemiya. The appeal of such platforms is not confined to Muslims. Some 10 percent of Alchemiya’s customers are not Muslims, and this is slated to rise to 40 percent due to media cross-overs and more mainstream media exposure.

Reflecting mainstream culture, but at the same time creating a positive image of Islam, Muslim manga (comics) is a growing genre while animated TV series such as “Burka Avengers” has proven to be popular beyond its initial target audience in Pakistan, expanding to the Indonesian and Afghan markets.

While Muslim superheroes are popular in the youth segment, Muslim-themed publishing is appealing to all age ranges, bolstered by mainstream publishers like Simon & Schuster and Bloomsbury having lines dedicated to Islamic-Themed and Arabic language content.

Educational apps are also being launched, while the Islamic Punk movement is gaining listeners in Muslim-majority Indonesia, attracted by a less conventional medium to promote Islam.

But despite an increasingly diverse media environment, Halal Media and Recreation, especially television, has not diversified enough. In the TV segment there has been a flurry of new Islamic TV channels, but the content is focused more on sermons and Quranic recitation than providing content that may have wider appeal. Yet with Muslim spend on media and entertainment growing year-on-year, reaching \$198 billion in 2016 and forecast to reach \$281 billion by 2022, Halal Media and Recreation will continue to attract investment on the back of a young and diverse Muslim population.

HALAL MEDIA & RECREATION

MARKET SIZE¹

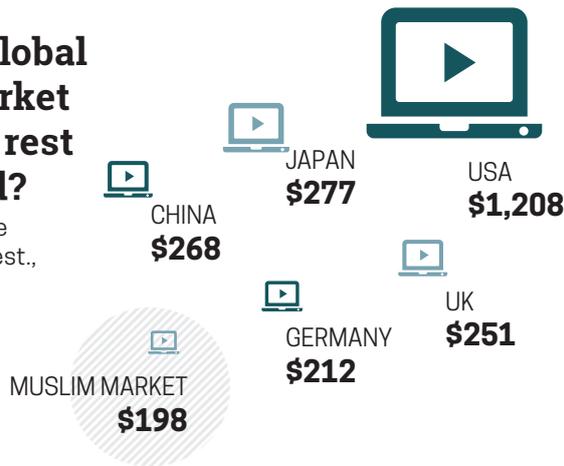
How much does global Muslim market spend on recreation and culture?



BENCHMARK

How does global Muslim market compare to rest of the world?

(recreation & culture expenditure, 2016 est., US\$ Billion)



TOP MARKETS BY SIZE

Top Media & Recreation Muslim Expenditure countries (2016 est., US\$ Billion)

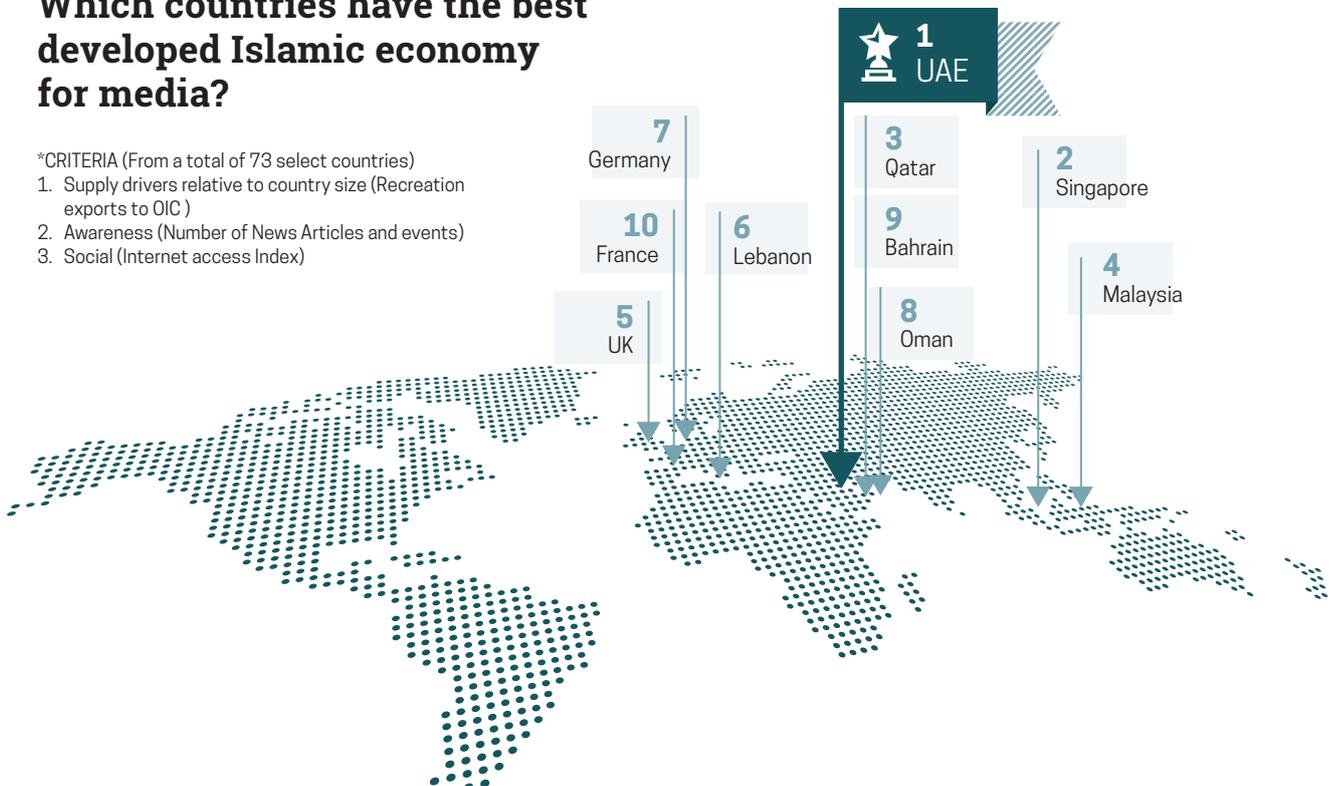


THE HALAL MEDIA & RECREATION INDICATOR

Which countries have the best developed Islamic economy for media?

*CRITERIA (From a total of 73 select countries)

1. Supply drivers relative to country size (Recreation exports to OIC)
2. Awareness (Number of News Articles and events)
3. Social (Internet access Index)



1. Expenditure data Baseline from 2011 International Comparison Program + National Statistics Agencies, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2016 Database for projections. See Report for full methodology.

Media & recreation trade value of OIC* member countries (2016 est., US\$ Billion)



\$3 Bn
OIC Exports

\$147 Bn
Global Exports



\$7 Bn
OIC Imports

\$158 Bn
Global Imports

\$7 Bn Media & recreation imports by OIC countries (4.6% of global imports)

(\$5) Bn

Media & recreation trade deficit by OIC countries (in 2016)

* Only for print (news, books, other) toys, games, sports, cultural recreational services, media and other information services)

Issues & Opportunities Map

Products & Services

- ✓ Halal Media and Recreation content particularly cinema focusing more on cultural nuances finding acceptability/accolade in western markets.
- ✓ Islamic content focusing on core religion has demand in home markets
- ✓ Young millennials are key growth drivers
- ⚠ Bad press getting worse
- ⚠ Lack of well established brands
- ⚠ Rising Islamophobia severely limits reception of Halal Media and Recreation content beyond Muslim world

Policies, Regulations & Investment

- ⚠ Heightened vigilantism by community members discouraging creative
- ⚠ Inadequate intellectual property right protection in OIC countries
- ⚠ Sectarianism severely harms home grounds for content creation and skillset collaboration
- ⚠ Political/cultural policies and religious censorship particularly in OIC markets hindering creativity

Operations

- ✓ Rising demand of values based content across all media platforms
- ✓ Generation Z creating new demand subsets
- ✓ Online advertising and subscription platforms like SVOD can offer lifeline for many operations
- ✓ New media — with low entry barriers is Launchpad for many initiatives

Financing

- ✓ GCC government funding / rebates for foreign production
- ✓ Budding Shariah-compliant seed funding space
- ⚠ Lack of financial support to incubate and grow new 'innovative' concepts. Major projects driven by proselytization agenda alone.
- ⚠ Investors (particularly Islamic) have poor understanding and confidence in media business
- ⚠ Oil market slump and Qatar crisis bleaks limited funding prospects and creative collaboration

✓ Opportunity ▲ Challenge



Selected Key Players

Production

NA3M (New Arab Media) (Jordan)
Engare (Iran)
5 Pillar Games (Saudi Arabia)
Darussalam (UK)
International Islamic Publishing House (Saudi Arabia)
Kazi Publications (USA)
IQRA (USA)
Awakening Publications (UK)
Barajoun Entertainment (UAE)
SplitMoon Arts (USA)

Muslim Pro (Singapore)
Quran Companion (USA)
Productive Muslim (USA)
Ramadan Legacy (USA)
IslamicTunes (Malaysia)
Quest Jr (Canada)

Distribution channels

Peace TV (UK)
Islam Channel (UK)
British Muslim TV (UK)
Eman Channel (UK)
Ruju Murgam (India)

Iqra (Saudi Arabia)
Al Huda (Egypt)
Manara TV (Nigeria)
Al Majd (Saudi Arabia)
Alchemiya (UK)
Muslim Kids TV (Canada)
Bayyinah TV (USA)
IECON TV (USA)

Services

Halal Ad (Denmark)
Muslim Ad Network (USA)
Ogilvy Noor (Global)

Halal Media & Recreation Indicator

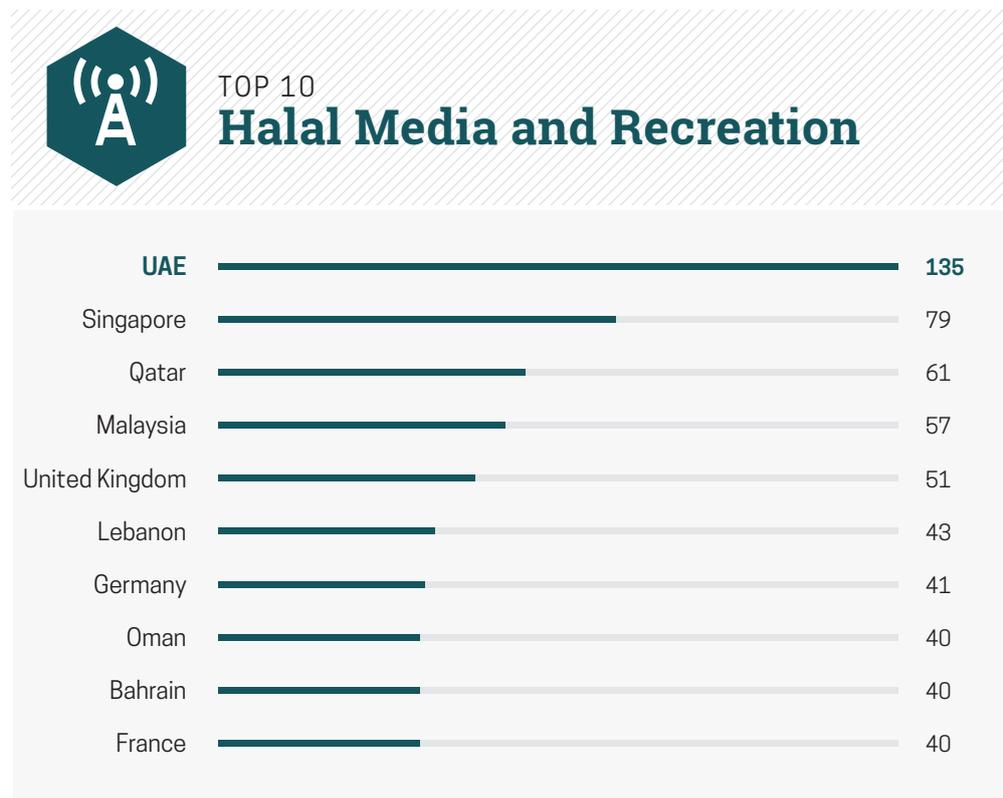
The 2017 *State of the Global Islamic Economy* Report revisits the Halal Media and Recreation Indicator to evaluate countries' health and development of their family-friendly/ Islamic media and recreation ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

The UAE, Singapore and Qatar lead this year's Halal Media and Recreation Indicator ranking that focuses on the health of the family-friendly/Halal media and recreation ecosystem a country has relative to its size, including its related social considerations.

The indicator equally weights three metric categories and has the following metrics for each (full methodology is presented in the Appendix):

- ↳ Supply drivers relative to country size (recreation exports to OIC countries)
- ↳ Awareness (number of news articles and events)
- ↳ Social (Internet access Index)

The top ten countries in the Halal Media and Recreation indicator



Halal Media and Recreation	Sector Score	Recreation Exports to OIC – Score	Awareness Score	Social Score	GIE Ranking
United Arab Emirates	135	226	69	109	2
Singapore	79	139	1	64	13
Qatar	61	21	0	79	7
Malaysia	57	3	0	98	1
United Kingdom	51	4	0	102	25
Lebanon	43	6	0	60	38
Germany	41	7	63	85	50
Oman	40	2	1	31	5
Bahrain	40	19	0	36	4
France	40	1	10	68	43

United Arab Emirates (UAE) and Singapore continue to lead sector rankings

The UAE has maintained its lead, driven by the strength of its recreation exports to the OIC, and a high awareness score which reflects the UAE's push to lead the sector globally, with Singapore maintaining high exports and sector awareness.

Qatar moves to third place, followed by Malaysia

Qatar's ranking has improved by three places, supported by a substantial increase in its awareness score, with the country holding 13 events during the past year on Halal Media and Recreation.

Malaysia has entered the top ten, with a meteoric rise from 14th to 4th place, driven by a doubling of recreation exports to the OIC in the past year, as well as a substantial increase in media discourse and sector-related events.

Oman joins the top ten as Australia and Kuwait leaves, with many other notable movements

Kuwait and Australia have been displaced from the top ten, due to a drop in Kuwait's awareness score, and with Australia losing ground to new entrants that have developed a more robust ecosystem. Oman has benefitted from a substantial increase in awareness, reaching eighty place.

While the UK remains in fifth place, Bahrain has seen a notable decline in the rankings from third to ninth place, driven by a drop in awareness amidst strong awareness scores from higher ranking countries. France and Lebanon have also ranked lower for Halal Media and Recreation this year.

Halal Media & Recreation Market Sizing

Market size and profile — Global Muslim consumer spending on media and recreation at \$198 billion (five percent of global expenditure):

This Report estimates Muslim populations globally to have spent a total of \$198 billion on media and recreation in 2016, 5.2 percent of the global market of \$3.84 trillion. This is a growth of five percent from the previous year, and is higher than the global market growth of 4.1 percent.

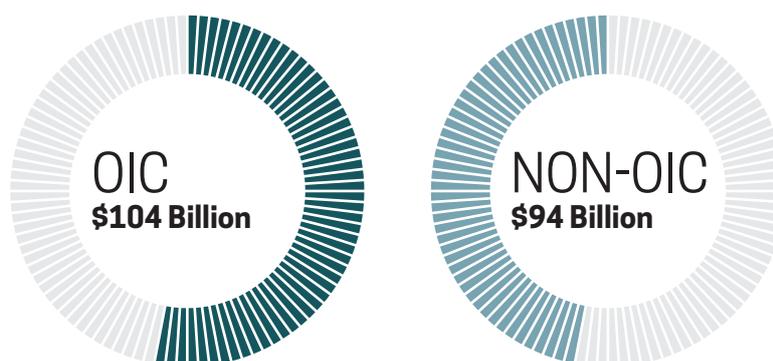
Muslim spend on media and recreation is expected to reach \$281 billion by 2022 (5.7 percent of global expenditure), a CAGR of 6 percent from 2016.

The Muslim market for media and recreation ranked sixth globally, behind the U.S. (\$1.2 trillion), Japan (\$278 billion), China (\$268 billion), the U.K. (\$251 billion), and Germany (\$213 billion).

The top ten Muslim markets with media and recreation expenditure were equally split between Muslim-majority and Muslim minority countries. The top six included Turkey (\$26.0 billion), the U.S. (\$20.5 billion), Russia (\$11.8 billion), Saudi Arabia (\$10.3 billion), the U.K. (\$9.7 billion) and Indonesia (\$9.0 billion).

In addition to the U.S., Russia, and the U.K., other Muslim-minority countries in the top ten included France and Germany, which spent \$8.6 and \$8.7 billion respectively.

Breaking down and referencing Muslim spend in 2016





Key Developments in 2016/17

The emergence of new players, brands and segments

Cinematic and movie production helps Halal Media and Recreation move to the next stage

- Movie “Bilal Hilal” (Halal Love) won the Fukuoka Award in Japan and was nominated for a Golden Globe Award¹
- An Australian-produced short movie, “The Last Chance”, produced by One Path, was aired in cinemas across the U.K.²
- U.K.-Based Islamic Theater Production company, Arakan, has created a new film division after the successful debut in the U.K. of “Freesia”, a film about the factors impacting Muslim image, with a budget of \$35,600³

The youth segment is gaining traction, with the rise of educational and trendy genres

- Dubai-based Alpha apps developed Seerah App, a storytelling app, teaching children about the life of Prophet Muhammad (PBUH)⁴
- The Islamic Punk movement in Indonesia is gaining ground, mirroring the conventional punk movement but focused on values-based issues⁵
- Ali Huda, a new app that displays Halal Media and Recreation video content for children, has been launched⁶

Increasing industry maturity

Mainstream media is increasingly embracing Islamic content

- BuzzFeed has launched the “Snapchat” collection, collating Muslim life experiences in support of its Muslim audience⁷
- Publishing giant Simon & Schuster launched Muslim novel “Amina’s Voice” by Salaam Reads⁸

Existing players are showing signs of maturity with distribution deals, digitalization and content diversification

- Subscription-based Alchemiya is now available on Amazon Channels, and the company is actively seeking broader mainstream distribution⁹

1 Salaam Gateway, Hashem, H. 2016. Lebanese film Bil Halal screens to critical acclaim east and west.

2 *Last Chance*. (2016). [film] Australia: Kamal Saleh.

3 Shaheen, M. 2016. Conor Ibrahim Directed The First Movie About Islamophobia and It’s Called “Freesia”. *Muslim*.

4 Wide, U. 2017. Teach the Life of the Prophet Muhammad to Children with the Seerah App. *Ummah Wide*.

5 Kapoor, K. 2017. In Indonesia, pious “punks” promote Islam. *Reuters Intel*.

6 Launchgood.com. 2017. *LaunchGood*.

7 Dodson, C. 2015. BuzzFeed Features All-Muslim Content On Its Snapchat Discover Channel. *Fast Company*.

8 Simon and schuster. 2017. *Simonandschuster.com*.

9 Alchemiya Films. 2017.

“Halal Media and Recreation has seen substantial development in Cinematic content, apps and investments”

- Popular animated series *Burka Avengers*, headquartered in Pakistan, has expanded into Indonesia, with plans to launch in Afghanistan¹⁰
- British Muslim TV has commissioned its first film, “*Finding Fatimah*”¹¹

Africa emerges as a contender in Halal Media and Recreation

- Malawi launched its first ever Islamic television channel, TV Islam¹²
- Kenya saw the launch of Horizon TV, owned by Nairobi’s Jamia Mosque¹³

Investment, regulatory and operational trends

Large, well-funded collaborations are occurring with mainstream media involvement

- In an innovative partnership involving the leading private media group MBC and top TV writers

and show runners from the U.S. (such as the masterminds behind hit shows such as “*Black-is*”, “*Silicon Valley*”, and “*King of the Hill*”), as well as the U.S. State Department, the \$10 million project aims to counter the ISIS narrative targeting impressionable minds in the region. The show will be broadcast in Arabic as “*Al Gharabeeb Al Soud*,” and the network hopes to produce an English-language version for wider distribution.¹⁴

- Muslim Pro, leading the Halal Media and Recreation industry, has received an undisclosed 8 figure investment from Private Equity investors CMIA Capital Partners and Affin Hwang Asset Management in 2017.¹⁵

OIC governments are seeking to support a positive narrative on Muslims and Islam

- The Turkish Youth and Sports Ministry released a booklet titled “*Islamophobia In Video Games*” at the OIC. The booklet showcases examples of negative anti-Islamic graphics, text and actions in games that broadly insult Muslims.¹⁶

¹⁰ *Burka Avenger*. (2013).

¹¹ *Finding Fatima*. (2017).

¹² Michael-Phiri, M. 2017. Malawi enters Ramadan with first Muslim TV channel. *Anadolu Agency*.

¹³ Jamah, A. 2017. New Islamic TV goes on air. *The Standard*.

¹⁴ NY Times, May 2017, Hubbard, B. 2017. Arab TV Series Dramatizes Life Under ISIS. *New York Times*.

¹⁵ SalaamGateway, L. Cosseboom 2016, Muslim Pro buy-out is tip of the iceberg for investment in digital Islamic economy.

¹⁶ Bronstein, P. 2017. Turkey says *Guitar Hero*, *Resident Evil* and *Call of Duty* are “Islamophobic”. *Newsweek*.

Opportunities and Challenges

Summary: Halal Media and Recreation can experience substantial growth through multi-channel expansion and investment, but is at risk of being pigeon-holed if it does not take steps to re-brand itself beyond a niche.

✔ OPPORTUNITIES

⚠ CHALLENGES

1. FINANCE CAN PLAY A SIGNIFICANT ROLE IN SECTOR DEVELOPMENTS

✔ **Halal Media and Recreation is a promising sector for media-focused investment firms**, which can support the substantial scaling of existing companies, and help shape a positive narrative about Islamic heritage

⚠ **However, the existing challenge of finance remains**, and investors will gloss over Media & Recreation, limiting funding, unless sympathetic investors and supportive incubators get involved, including government entities, to help develop the sector

2. THE INTERSECTION OF HALAL MEDIA & RECREATION AND THE ISLAMIC ECONOMY CREATES SUBSTANTIAL OPPORTUNITY

✔ **Halal Media and Recreation can act as a conduit** for Islamic Economy advertising, as a result of which leading Halal Media and Recreation platforms, online and television, become a scaled and viable way to reach Muslim consumers, giving rise to a multi-billion-dollar advertising industry

✔ **There are also robust convergence opportunities with Islamic Education**, as evidenced by Social Media Feedback earlier in the report, which can give rise to a strong multi-billion-dollar integrated brand that covers media, lifestyle and education that addresses Muslim needs across content and learning

3. INNOVATION AND MOVING INTO NEW GENRES IS CRITICAL FOR SECTOR MATURITY

✔ **Children and teenager genres are highly attractive opportunities**, which is being addressed by new players such as Muslim Kids TV, with a substantial opportunity to scale

✔ **Ramadan is a key opportunity to reach Muslim consumers** and will continue to see a flurry of dedicated, Muslim-focused advertisements, and in the future could generate billions of dollars of revenues for Media in non-OIC countries, supported by sizeable specialized Muslim ad agencies

⚠ **However, poor IP rights limits innovation** and is at risk of limiting the sector to religious shows, largely funded by donations and community outreach efforts

⚠ **Furthermore, negative brand connotation**, based on the high number of negative interactions on social media, could limit the ability of Halal Media and Recreation to have a meaningful impact on Muslim lives

4. BUSINESS MODELS NEED TO BECOME SUSTAINABLE

✔ **There are robust co-marketing opportunities** with players in the travel sector and products sector, with Halal Media and Recreation a potential driver of tourism and a linchpin for attracting Muslim tourists to OIC countries, and powerful advertising potential for Modest Fashion

⚠ **However, the lack of business model viability impacts growth:** In future, if not addressed, donations remain a core part of the business model, resulted in a largely fragmented industry, focused on specific countries or regions, with a lack of scaled, modern Halal Media and Recreation.



Trajectory and Roadmap

✔ OPPORTUNITY

MULTI-CHANNEL EXPANSION: Halal Media and Recreation companies can grow into diversified values-based enterprises.

1. THE CORE OPPORTUNITY IS TO DIVERSIFY GENRES, MOVING BEYOND RELIGIOUS LECTURES

Currently, the industry is very fragmented, with significant focus on religious lectures, but with the potential to address a wide range of genres and formats

2. THE END STATE COULD BE A DIVERSE, SCALED MEDIA PROPOSITION

There will exist several multi-billion dollar global Halal Media and Recreation propositions that cater to multiple languages, including Arabic and English, with several lifestyle channels catering to different age groups, and supporting the development of widely viewed films

3. EXAMPLES SHOW HOW RELIGIOUS AND CULTURALLY-THEMED MEDIA PROPOSITIONS DIVERSIFIED, AND EARLY STEPS TAKEN BY HALAL MEDIA AND RECREATION

- ↳ **The rise of Hispanic media shows how cultural and religious-themed media propositions can excel for significant minority populations:** According to The Economist, television entertainment targeting the Hispanic population in the U.S., which make up over 16 percent of the population, has grown from 14 focused broadcast and cable networks in 2007 to over 100 in 2017¹⁷
- ↳ **Christian-themed media has made a substantial push into films, providing an analog for Halal Media and Recreation:** In the U.S. since 2004, Christian filmmakers decided not to wait for mainstream Hollywood and leverage their own studios and production companies to push out movies. As a result, a number of films emerged including “Courageous” (2011), “God’s Not Dead” (2014), and “The Son of God” (2014), which were produced for under \$5 million and grossed over tens of millions of dollars¹⁸
- ↳ **The success of Alchemiya shows how a Halal Media and Recreation proposition can target a mainstream audience effectively:** Alchemiya, a subscription-based video-on-demand platform that is targeting a diverse audience, raised over \$152,000 through CrowdCube, a mainstream equity crowdfunding site.¹⁹ According to Alchemiya’s founder, Navid Akhtar, 10 percent of Alchemiya’s customers are not Muslim, which is expected to rise to 40

¹⁷ The Economist. 2012. Lights, camera, acción!.

¹⁸ Nelson, E. 2014. Lights! Camera! Jesus! How Christians Are Building Their Own Hollywood. Huffington Post.

¹⁹ Crowdcube. 2017. Alchemiya Media raising £60,000 investment on Crowdcube Capital At Risk. Crowdcube.com.

“There is a tantalizing future for Halal Media and Recreation that mimics the multi-billion dollar multi-channel news and media entertainment leaders that are today’s success stories”



Stakeholder Feedback

On the Roadmap:

- It’s important to diversify and go beyond religious programming — there’s a lot of opportunities in other genres, such as kids content.

MICHEAL MILO

Founder and CEO, Muslim Kids TV (Canada)

4. THE ROADMAP TO REALIZING THIS OPPORTUNITY A CLOSE COLLABORATION WITH MUSLIM MILLENNIALS, AND AN EXPANSION OF PROGRAMMING TO ATTRACT A BROADER, NON-MUSLIM AUDIENCE

- ↳ **Leverage research to understand what the millennial and younger viewer wants:** Primary research that looks into the formats and genres that Muslim consumers want is a critical step to developing the right programming — key gaps identified to date include children’s programs and educational content
- ↳ **Government and investor involvement to facilitate industry growth:** Setting up a fund that invests in media and supports new genre development is critical to fostering creativity and growth
- ↳ **Market to non-Muslim audiences:** Appealing to a broader audience, and learning from Alchemiya’s experience, will help a Halal Media and Recreation proposition scale.

▲ CHALLENGE

LIMITED INNOVATION: An excessive focus on religious programming is holding the industry back.

1. THE CORE CHALLENGE IS AROUND HALAL MEDIA AND RECREATION BRANDED AS A NICHE

Several factors contribute including lack of media industry experience and limited funding, which in limits innovation, and access to vital experience in the industry

2. THE END STATE IN THE WORST CASE COULD SEE THE INDUSTRY REMAINING LARGELY FRAGMENTED.

The number of failures in the industry will be high, as companies struggle to gain a wide audience and attract investment

3. EXAMPLES SHOW THAT DIVERSIFICATION HAS PLAYED A KEY ROLE IN RELIGIOUS-THEMED GROWTH, WITH GOVERNMENT SUPPORT AN ESSENTIAL STEP FOR THE INDUSTRY

- **How Christian-themed media enhanced their positioning:** According to LifeWay research in 2015, surveys of over 3,200 Americans found 33 percent of Americans watch Christian-based programming and television. Research also suggests 40 percent of Americans watched a Christian movie in the last year, with a significant portion being of non-Christian faith, proving Christian movies have wider appeal²⁰
- **Fundraising challenges among Halal Media and Recreation companies:** The number of startup fundraising success stories has been limited in Halal Media and Recreation, with the recent eight-figure investment in Muslim Pro a notable exception.²¹ Crowdfunding has been the main and community donations have been the main funding staple to date²²
- **Malaysian government support suggests the role governments can play:** Malaysia's government launched Al-Hijarah, a free-to-air TV network operated and owned by the government, which features Islamic talk shows, interviews and live programs, and importantly, is innovative, providing competitions and genres that cater to a younger audience²³

20 Smietana, B. 2015. New Research: Christian Media Barely Reaching Beyond the Faithful. *LifeWay NewsRoom*.

21 Frieschlad, N. 2017. One of the world's most popular apps for Muslims just got acquired. *Tech in Asia*.

22 Salaam Gateway. 2016. Report: Financing Islamic Economy Start-ups.

23 Salaam Gateway. 2017. Report: Developments and opportunities in Islamic-themed television and online video content.

“Funding is a critical challenge and enabler — and the governments as well as business incubators could be a key part of the solution”

4. THE ROADMAP TO ADDRESSING THIS CHALLENGE CENTERS AROUND IDENTIFYING SUPPORTIVE INVESTORS, BACKED BY GOVERNMENT FUNDING

- ↳ **Gear up for funding:** Halal Media and Recreation companies must develop an ambitious business plan, and seek funding outside of community donations, so as to become scaled, viable propositions
- ↳ **Enter sympathetic investors with hands-on experience:** There is a key role for government- and community-funded business incubators and accelerators to connect media companies to media industry experts to help scale and develop attractive propositions.



Stakeholder Feedback

On the Roadmap:

- It's important to diversify and reach a mainstream audience — that's what we've done with Alchemiya.

NAVID AKHTAR
CEO, Alchemiya (UK)

On the End State:

- The industry could really fall behind — I feel like it will be difficult for Islamic-Themed Media to really get to a scaled state the way the industry is set up.

BILAL MEMON
CEO, Quran Academy (U.S.)



Halal Pharmaceuticals and Cosmetics Sector





Halal Pharmaceuticals and Cosmetics Indicator

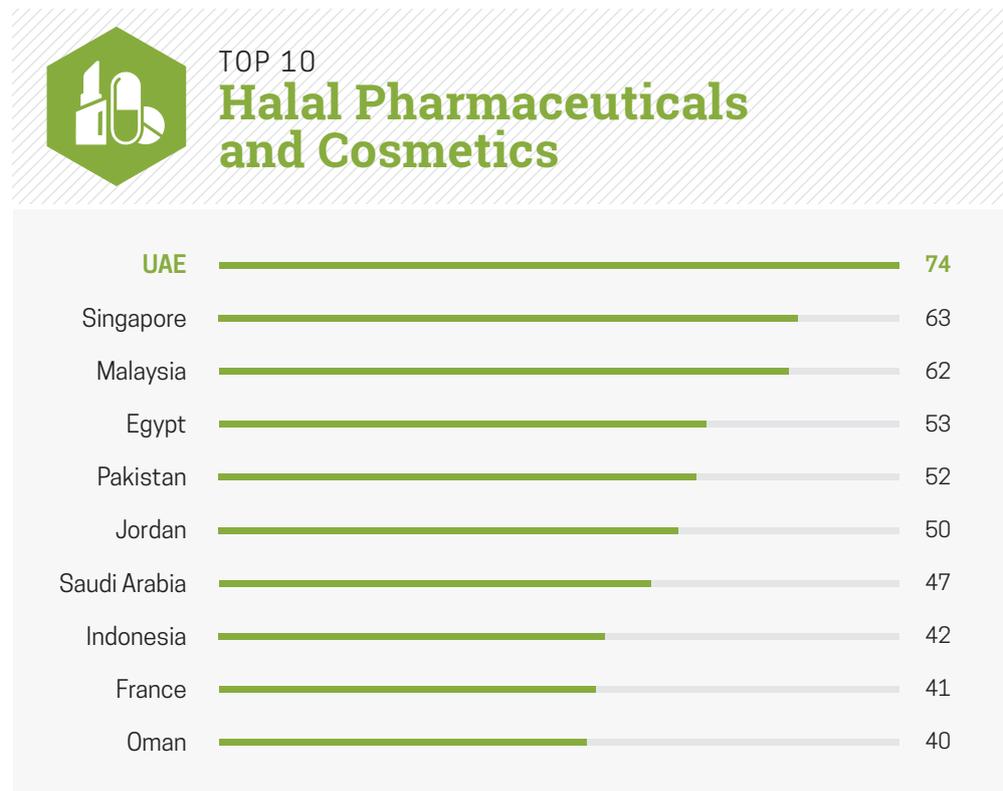
The 2017 *State of the Global Islamic Economy* Report introduces the Halal Pharmaceuticals and Cosmetics Indicator to evaluate countries' health and development of their pharmaceuticals ecosystem. This indicator is part of the aggregate Global Islamic Economy (GIE) indicator. The indicator does not focus on the overall size and growth trajectory of a country in the sector; instead it evaluates them on relative strengths of the ecosystem they have for the development of the sector.

The UAE, Singapore and Malaysia lead this year's Halal Pharmaceuticals Indicator ranking that focuses on the health of the pharmaceuticals ecosystem a country has relative to its size, including its related social considerations.

The indicator equally weights four metric categories and has the following metrics for each (full methodology is presented in the Appendix):

- Supply drivers relative to country size (Pharmaceuticals exports to OIC countries)
- Governance (Halal regulations and certification requirements)
- Awareness (number of news articles and events)
- Social (Pharmaceuticals pricing index)

The top ten countries in the Halal Pharmaceuticals and Cosmetics Indicator



Halal Pharmaceuticals & Cosmetics	Sector Score	Combined Product Exports to OIC – Score	Governance Score	Awareness Score	Social Score	GIE Ranking
United Arab Emirates	74	120	100	48	100	2
Singapore	63	142	67	3	67	13
Malaysia	62	11	33	0	33	1
Egypt	53	40	83	0	83	20
Pakistan	52	5	33	1	33	6
Jordan	50	73	33	0	33	10
Saudi Arabia	47	40	100	91	100	3
Indonesia	42	7	33	0	33	11
France	41	110	33	0	33	43
Oman	40	9	67	14	67	5

United Arab Emirates (UAE) leads again

The UAE occupies first place in the rankings, mainly driven by a continued high level of pharmaceuticals and cosmetics exports to OIC countries, relative to its size, in addition to sustained high regulatory and certificatory requirements for pharmaceuticals and cosmetics.

Relative stability in rankings otherwise

The remaining countries have maintained their rankings, however, with France entering the top ten, displacing both Oman and Brunei, from ninth and tenth place respectively, due to the strength of its exports to the OIC.

Malaysia and Singapore switch places

Singapore takes second place, driven by increased exports to the OIC, while Malaysia has dropped to third place, despite sustained higher governance, awareness and social scores, due to the relative strength of Singapore's exports.





Halal Pharmaceuticals Sector

Islam has a long history of medicinal innovation and treatment, in line with Quranic tenets to encourage a holistic way of life. Modern medicine and pharmaceutical practices have marginalized Islam's contribution to healthcare, but today there is a resurgence in the medical field. This is most notable in preventative medicine, with nutraceuticals a burgeoning segment of the Halal Pharmaceuticals sector.

The sector has been sized at \$83 billion in 2016, increasing by six percent from 2015 and expected to grow by 8 percent per year to reach \$132 billion by 2022.

With Muslims increasingly concerned about what they consume, a number of companies, both Muslim and non-Muslim, are providing Halal-certified nutraceutical products that are free from animal-sources and use only the best ingredients. Multinationals have also entered the segment, whether providing Halal ingredients or providing Halal-certified vitamins and supplements.

Nutraceuticals are considered the major growth segment within Halal Pharmaceuticals, but more pharmaceuticals are being Halal-certified, including prescription drugs. While not all pharmaceutical products can yet be Halal-certified until certain research and development issues are overcome, especially in relation to certain ingredients and chemicals, innovation is occurring in vaccines.

AJ Pharma is leading such innovation, developing a synthetic conjugation process that allows vaccines to be joined without an animal source. The Saudi Arabia-based group, which has a facility in Malaysia, is also developing a bovine heparin from a Halal source for a dengue fever vaccine. A Halal polio vaccine is expected to be released by the end of 2017, and in 2018 a vaccine for Meningococcal meningitis. Such animal-free vaccines will have appeal in Muslim-majority markets as well as among non-Muslim consumers that are concerned about the health risks of inoculations. Such vaccine development is a benefit for all mankind.

HALAL PHARMACEUTICALS

MARKET SIZE¹

How much does global Muslim market spend on pharmaceutical?



BENCHMARK

How does global Muslim market compare to the rest of the world?

(pharmaceutical spend, 2016 est., US\$ Billion)



JAPAN
\$116



CHINA
\$117



UNITED STATES
\$392



FRANCE
\$45



GERMANY
\$64



MUSLIM MARKET
\$83

Total Muslim Spending (2016)



Non-OIC
33%
\$27 Bn

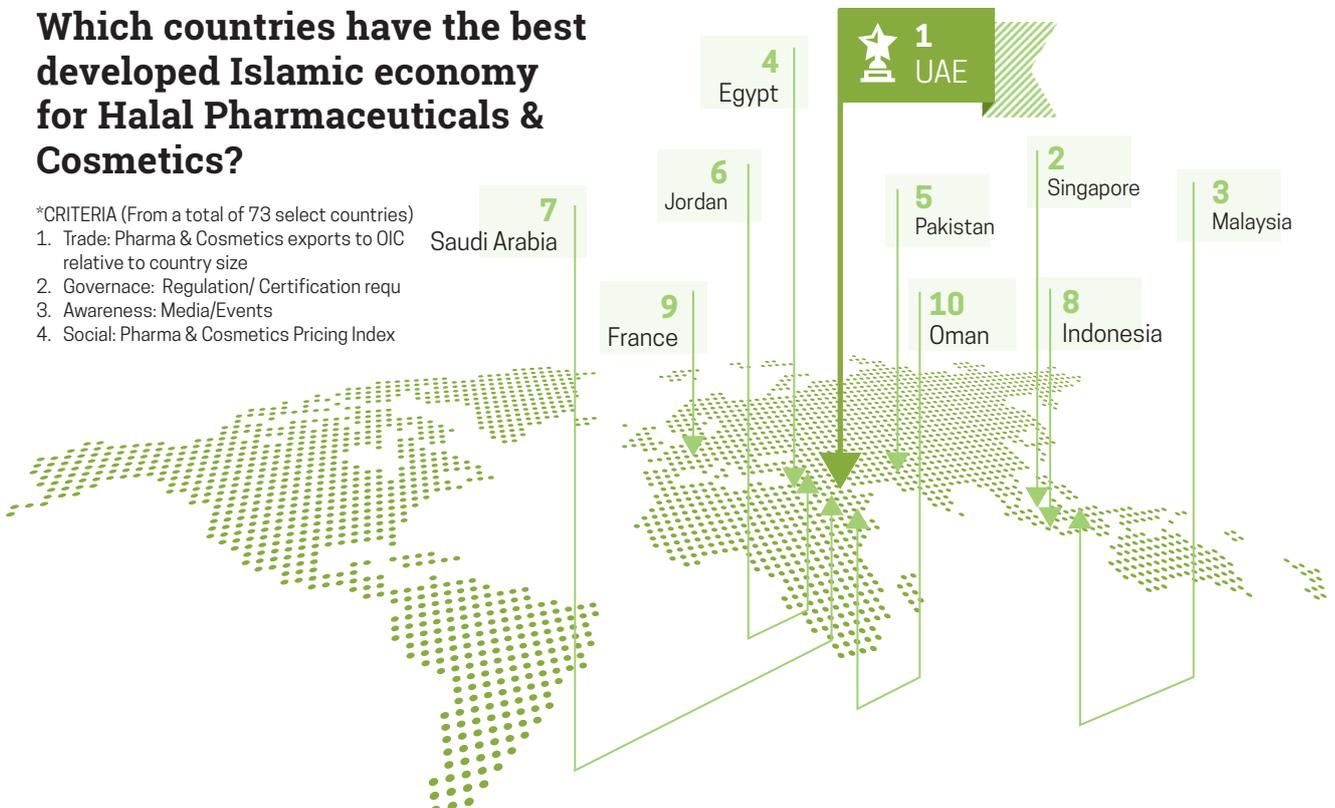
OIC
67%
\$56 Bn

THE HALAL PHARMACEUTICALS INDICATOR

Which countries have the best developed Islamic economy for Halal Pharmaceuticals & Cosmetics?

*CRITERIA (From a total of 73 select countries)

1. Trade: Pharma & Cosmetics exports to OIC relative to country size
2. Governance: Regulation/ Certification req
3. Awareness: Media/Events
4. Social: Pharma & Cosmetics Pricing Index



1. Expenditure data based on various National Statistics Agencies/Pharma Industry Associations and UN Comtrade Data, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2016 Database for projections. See Report for full methodology.

TRADE BY OIC* COUNTRIES

Pharmaceutical manufacturing trade value of OIC* member countries

(2016 est., US\$ Billion)

(Only for pharmaceutical manufacturing sectors)



OIC Exports
\$4 Bn

0.8% of global exports

Global Exports
\$506 Bn



OIC Imports
\$32 Bn

5.9% of global imports

Global Imports
\$532 Bn

(\$28) Bn

Pharmaceutical trade deficit by OIC countries in 2016

Which countries export most pharmaceutical products to OIC countries?

(2016 est., US\$ Billion)



Issues & Opportunities Map



Products & Services

- Halal medical tourism
- Prescriptive medicines halal certified by JAKIM
- Generics
- Vaccines
- Innovations



Consumer Needs Ecosystem

- Influencer Marketing
- Precision medical care
- Raising awareness
- GCC, East Asia key development markets
- Ingredients
- Halal pharma versus conventional



Financing

- Private equity and Joint Ventures
- Islamic funds looking to invest



Policies, Regulations & Operations

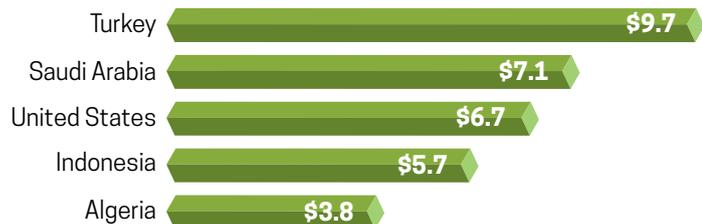
- JAKIM issues halal pharma guidelines MS2424:2012
- ▲** Lack of clarity regarding Indonesia 2019 regs
- ▲** Lack of universally accepted standard

Opportunities/developments

▲ Challenge

TOP MARKETS BY SIZE

Top countries with Muslim consumer Pharma expenditure (2016 est., US\$ Billion)



Selected Key Players

Global brands

Pfizer (USA)
Novartis AG (Switzerland)
Merck & Co. Inc. (USA)
Sanofi (France)
GlaxoSmithKline PLC (UK)

OIC based top Pharma

JEozacibasi Holdings (Turkey)
Selçuk Ecza Deposu (Turkey)
Kalbe Farma (Indonesia)
Hikma Pharmaceuticals (Jordan)
CCM Chemicals Sdn Bhd (Malaysia)
Julphar (UAE)

Specialty Halal pharma companies

AJ Pharma (Vaccines) (Malaysia/Saudi Arabia)
Noor Vitamins (USA)
Safwa Health (Malaysia)
BACFO Pharmaceuticals (Herbal) (India)
Halalgel (Malaysia)
Suci Harumatiques (Malaysia)

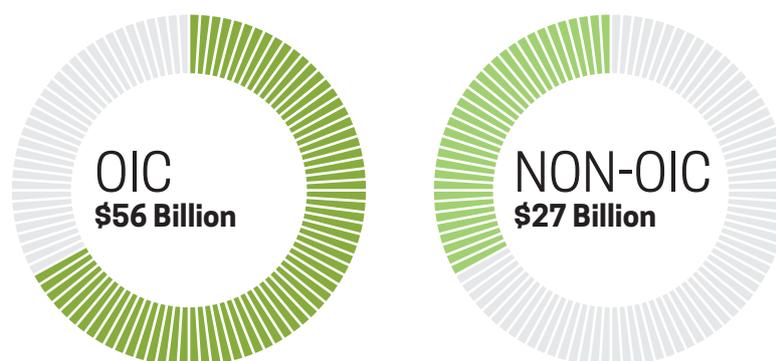
Pharmaceuticals Market Sizing

“Muslim spend showed a healthy 6.4 percent growth from the prior year – an important backdrop for Halal Pharmaceutical”

This Report estimates global Muslim spending on pharmaceuticals to be 83 billion in 2016, 7 percent of global expenditures of \$1.22 trillion. Muslim spend on pharmaceuticals is expected to reach \$132 billion by 2022 (9.1 percent of global expenditure), a CAGR of 8 percent from 2016.

The Muslim market for pharmaceuticals ranked fourth globally, behind the U.S. (\$392 billion), Japan (\$116 billion), and China (\$117 billion). The top ten Muslim markets with pharmaceuticals expenditure were Turkey (\$9.7 billion), Saudi Arabia (\$7.1 billion), the U.S. (\$6.7 billion), Indonesia (\$5.7 billion), Algeria (\$3.8 billion) and Russia (\$2.9 billion).

Breaking down and referencing Muslim spend in 2016





Key Developments in 2016/17

The emergence of new players, brands and segments

New products are being developed, notably Halal vaccines

- Saudi-Arabia-based AJ Pharma is co-developing a synthetic conjugation process, which allows vaccines to be joined without an animal source. This will allow for developing new Halal conjugated vaccines. The group is also in negotiations for developing a bovine heparin from a Halal source, and is developing a dengue fever vaccine¹
- AJ Pharma could release a Halal polio vaccine by end 2017, and MMV vaccine in 2018²
- Malaysia-based CCM gets Halal license for prescription medicines³

Halal ingredients market remains a high growth segment attracting new sources of supply

- U.S.-based Abbott Labs developing Halal nutraceuticals & vaccines for infants, women and specific therapeutic nutrition⁴
- UAE researchers are working on extracting Halal gelatin from camels⁵
- U.S.-based Certified Nutraceuticals, Inc. has developed a hydrolyzed jellyfish collagen — KollaJell — as a supplement ingredient⁶
- Netherlands-based Healsee, a producer of empty vegetable and gelatin capsules, got Halal certification in 2016, for its vegetable capsules based on Hypromellose (HPMC)⁷
- Chile's Benexia has opened a Lipids Research Center in Ghent, Belgium to develop Halal nutraceuticals and ingredients from chia seeds⁸

1 Ghantous, G. 2015. INTERVIEW-AJ Pharma co-developing three halal vaccines. *Zawya*.

2 AJ Vaccines. c2017. AJ Vaccines website.

3 The Star Online. 2017. CCM to return to the black, halal cert to help. 6 February.

4 Future Market Insights. 2017. Over 60% of Global Halal Nutraceuticals & Vaccines Revenues Will Emanate from Asia-Pacific excluding Japan (APEJ) Region During 2016-2026.

5 Swan, M. 2017. UAE researchers seek to extract halal gelatin from camels. *The National - UAE*. [Online].

6 Vitafoods Europe. 2017.

7 Healsee. 2017.

8 Nutraceuticals world . 2017. Benexia Opens Lipids Research Center in Europe.

Increasing industry maturity and investment

Leading players in the industry have shown increasing maturity

- Malaysia's CCM Duopharma Biotech Bhd negotiated \$66.5 million in Islamic financing with Ambank Islamic Bhd. to open new plants and lines⁹
- Nestle and Amway entering Halal nutraceuticals¹⁰

M&A activity and key partnerships have occurred in the industry

- AJ Pharma subsidiary AJ Vaccines acquired Stratum Serum Institute (SSI), a vaccine manufacturing facility of the Danish government in January 2017¹¹
- France's Imaxio entered into a license agreement with AJ Biologics to distribute the leptospirosis vaccine in Malaysia¹².

Operational and regulatory trends

Halal regulation has been extended to pharmaceutical products

- Malaysia's JAKIM extended Halal certification to prescriptive medicines in 2017
- Indonesia gearing up for mandatory Halal products in 2018¹³
- UAE's ESMA to require all Halal imports to be certified.¹⁴

There have been advancements in Halal testing

- The UAE's ESMA is developing pharmaceutical standards
- Development of simultaneous detection of bovine and porcine DNA in pharmaceutical gelatin capsules by duplex PCR assay for Halal authentication¹⁵
- European cosmetics bodies launch project on toxicological knowledge of natural substances and to boost innovation.¹⁶

9 Amarthalingam, S. 2017. CCM Duopharma's gearing to rise to 087 times on RM280m financial facilities. *The Edge Markets*.

10 WBOC online. 2017. Halal Nutraceuticals and Vaccines Market Integration of Latest Technologies into Existent Offerings to Mark Global Growth Strategy.

11 The Star Online. 2017. Company takes over vaccine business in Denmark. *The Star Online News*.

12 Imaxio, (2017). *Imaxio and AJ Biologics announce the execution of a collaboration agreement to extend the commercialisation of Imaxio's leptospirosis vaccine in Malaysia*.

13 Winosa, Y. 2017. Indonesia delays launch of new halal certification body. *Salaam Gateway - Halal Industry*.

14 The National. 2014. New inspection plan will standardise halal products in UAE. 2

15 Nikzad, J., Shahhosseini, S., Tabarzad, M., Nafissi-Varcheh, N., and Torshabi, M. (2017). Simultaneous detection of bovine and porcine DNA in pharmaceutical gelatin capsules by duplex PCR assay for Halal authentication. *DARU Journal of Pharmaceutical Sciences*, 25(3).

16 Whitehouse, L. 2016. New European project aims to boost toxicological knowledge of natural substances. *Cosmetic Designs Europe*.

Opportunities and Challenges

Summary: Nutraceuticals and Halal ingredients are particularly attractive opportunities, but the sector is held back by limited branding and a lack of dedicated financing options.

✔ OPPORTUNITIES

⚠ CHALLENGES

1. FINANCE CAN PLAY A KEY ROLE, BUT A SPARK IS NEEDED TO SUBSTANTIATE INTEREST

✔ **Substantial opportunities exist for Sharia-compliant funding and R&D**, with AJ Pharma benefitting from such investment, and Private Equity can help address a real demand for Halal Pharma products

⚠ **However**, there is limited current interest in wide-scale investment from potential investors: The risk of the status quo remaining is that Halal Pharmaceuticals remains a niche segment that is largely overlooked by investment, with funding limited to a few sovereign entities and angel investors

2. CONVERGENCE

✔ **Robust, scaled Halal ingredients proposition can experience substantial growth**, leading to specialized Halal ingredients manufacturers generating billions of dollars of revenues and are able to provide a consistent supply needed for mass-production of Halal vaccines and medicines

⚠ **However, the availability of Halal ingredients remains limited:** This can result in Halal Pharmaceutical manufacturers struggling to scale and reach profitability, with only a few players existing, and many failed attempts to address the opportunity, limiting product development

3. PRODUCT CATEGORY

✔ **Halal nutraceuticals is an attractive product segment** which could lead to the emergence of the global Halal equivalent of Johnson & Johnson to emerge, with multiple product lines across vitamins, nutritional drinks and baby food, with a heavy manufacturing presence in OIC markets

✔ **Halal generics can broaden access to drugs in OIC markets:** Halal generics exist for major drugs that have come off-patent treating a range of diseases, and generate substantial revenues in OIC markets

⚠ **However, Halal Pharmaceuticals is still seen as a niche**, and without substantial branding efforts, the market may be limited to Muslim consumers only, and wider awareness may be lacking, which could restrict industry sales to e-commerce and specialty stores

4. REGULATIONS ARE SIGNIFICANTLY IN NEED OF HARMONIZATION

✔ **Halal Pharmaceutical companies can benefit from dedicated freezones:** This could result in the emergence of major trading Hubs in OIC markets, where global pharmaceuticals companies are able to develop Halal products, benefiting from proximity to specialized ingredients suppliers and with access to Sharia-compliant financing and certification support

⚠ **However**, industry development is held back by limited standardization, which inhibits market entry, and result in only a handful of large players with little competition and little incentive to innovation, leaving the consumer with unaddressed needs.

Mainstreaming Islamic Economy

The halal economy is booming and has emerged as a powerful commercial arena. The world's Muslims total 1.7 billion people today and that number is growing at two times the rate of the global population. From fashion and travel to food and finance, the global halal industry is an opportunity companies cannot afford to ignore.



Halal Ecosystem

The Global Halal Economy is estimated to touch the \$6.4 trillion mark by 2018. "The Islamic Economy stands in stark contrast offering the most viable solution to global economic growth and success in the 21st century", the GIER 2015/2016 notes. Stratgurus Consulting provide strategic solution for Halal Industrial Development, including Halal Certification, Halal Park Development and Halal SME Development.

Modest Fashion

With modest fashion now making its way into the mainstream, the fashion world is transitioning into an era of empowerment for women. Faspiration owned by Stratgurus Group of Companies, is a contemporary fashion brand designed exclusively for today's woman who is both modest and stylish. Faspiration lets you be expressive yet remain elegant and reserved. To help uphold these values, we endeavor to provide women a variety of stylistic choices. These include the luxurious haute couture collection, a bespoke made-to-measure line, prêt-à-porter, and an elegant selection of headscarves.

Halal Nutraceuticals & Biologics

According to research report compiled by Future Market Insights, the global halal nutraceuticals & vaccines market, which is currently valued at US\$ 39,265 million, is projected to expand at a 7.7% CAGR and reach US\$ 82,207 million over the forecast period, 2016-2026. The development of halal biologics would also help in eliminating the health risks of infections from using animal sources and creates a larger canvas where the current immunization coverage could be improved. Also, studying the potential for halal vaccines does not undermine the importance of current vaccines nor does it entail that the unavailability of halal vaccines should jeopardize the current immunization goals.

AJ Biologics, managed by Stratgurus Group of Companies will be the world's major producer of halal vaccines by 2018.



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Trajectory and Roadmap

✔ OPPORTUNITY

HALAL NUTRACEUTICALS: Represents a real growth opportunity to meet the needs of a growing global Muslim population.

1. THE CORE OPPORTUNITY IS TO MEET THE ROBUST GLOBAL DEMAND FOR HALAL NUTRACEUTICALS

There is a growing demand from health-conscious consumers for herbal and non-porcine derived gelatin, which Halal-certified manufacturers can target, while nutraceuticals are increasingly being viewed as forms of preventative medicine. However, few Halal nutraceutical companies currently offer the same variety and product range as conventional manufacturers

2. THE END STATE COULD BE A MULTI-BILLION-DOLLAR COMPANY

Multibillion-dollar Halal nutraceutical and lifestyle products companies would have expanded beyond core markets into global players offering the full range of health supplements, vitamins, probiotics, sports nutrition, and functional food and beverages

3. EXAMPLES SHOW THE INCREASING PREVALENCE OF HALAL NUTRACEUTICALS AND THE ADJACENT NATURAL HEALTH INDUSTRY

- ↳ **Global nutraceutical ingredients suppliers are increasingly Halal certified,** indicating the growing demand and interest in the segment. In 2017, the U.S.'s Cyanotech Corp. and Japan's AstaReal — a division of Fuji Chemical Industries — got Halal certification for the production of astaxanthin, a raw material used in soft gel capsules.¹⁷ Other halal certified ingredients companies include BASF SE, and Nestle
- ↳ **Natural health supplements experiencing strong growth:** Demand for natural or organic supplements has been driven by consumer health awareness, self-medication and prevention of lifestyle diseases. The global market was estimated at \$36.8 billion in 2016, and forecast to grow at a CAGR of 8 percent to \$68.1 billion by end 2024¹⁸
- ↳ **Multinational companies are producing Halal certified vitamins for specific markets:** Herbalife International of America has Halal certification for the Malaysian market, the U.S.'s Centrum vitamins — a division of Pfizer — is Halal certified for the Middle Eastern market, and Sanofi's Australian subsidiary Ostelin has Halal certified vitamins¹⁹

¹⁷ Astareal. 2017. AstaReal Astaxanthin Attains Widely-Recognized Halal Certification by JMA. Astareal.com.

¹⁸ Marketwatch. 2017. Natural Health Supplements Market to Reach US\$ 68 Bn by 2024 - Persistence Market Research.

¹⁹ Herbalife. 2017. *Herbalife Support Center*.

“Halal Nutraceuticals is a high growth segment that can experience rapid growth if supported by patient, strategic investment”

4. THE ROADMAP TO REALIZING THIS OPPORTUNITY INVOLVES ROBUST MARKETING AND INVESTMENT, FROM FINANCIAL AND CORPORATE ENTITIES ALIKE

- > **Robust marketing and product development:** Developing new products, based on robust primary research, is critical for Halal Pharmaceuticals to develop a viable business model, as well as the ability to market product to a broader range of consumers in non-OIC countries
- > **Enter investment capital and funding:** Growth capital will be critical to investing in R&D and expanding manufacturing capabilities, as well as broadening focus in new markets
- > **Enter multinationals:** Multinationals will play a key role in providing Halal products, and may also provide an important stepping stone as an investor.



Stakeholder Feedback

On the Roadmap:

- Nutraceuticals are becoming the norm now, and will grow further, as many supplements are coming up that people have more faith in. For example, we signed a contract with a Norwegian company for fish collagen that is Halal certified by (Malaysia's) JAKIM.

DR TABASSUM KHAN
 Managing Director of AJ
 Pharma Holding and Chairman
 of AJ Biologics (Saudi Arabia)

On the End State:

- Halal nutraceuticals have massive commercial opportunities in the West as consumer interest in natural products is increasing year-on-year. The genie is out of the bottle. I think the nutraceutical market will become even more important than the pharmaceutical market going forward.

SHOEEB RIAZ
 International Halal consultant,
 ex-Halal advisor to EBLEX and
 advisor to The Halal Trust (U.K.)

▲ CHALLENGE

BRANDING: The Halal Pharmaceutical sector faces a branding challenge, limiting its potential uptake.

1. THE CORE CHALLENGE IS THE LIMITED FOCUS ON HALAL AS A PROPOSITION

On the one hand, overt halal labeling may ward off non-Muslim consumers, while on the other, Muslims that insist on Halal Pharmaceuticals could put their health at risk due to the current limited range of Halal certified pharmaceuticals. The issue revolves around informed choice, that consumers should be able to opt for Halal Pharmaceuticals where available, and to not feel that they are violating Sharia principles by taking a non-Halal medicine.

2. THE END STATE IF THE PROBLEM ISN'T ADDRESSED IS THAT GROWTH WILL BE LIMITED

Halal Pharmaceuticals remains a niche if challenges aren't addressed. The market is highly fragmented with many SMEs unable to scale due to an unclear proposition, and while multinationals do accommodate the need for Halal Pharmaceuticals, significant unmet needs remain, which SMEs struggle to address at the needed scale.

3. EXAMPLES SHOW CONFUSION AND RESISTANCE FROM THE MARKET ON HALAL REGULATIONS, DESPITE CLEAR CONSUMER DEMAND

- ↘ **There has been opposition from the pharmaceutical industry to Indonesia's plan to require all products to be Halal certified by 2019.** Players say the move is currently unfeasible due to the lack of Halal certified pharmaceuticals and the need for life saving drugs, even if containing non-Halal/haram ingredients²⁰
- ↘ **Malaysia has not decided on whether prescription drugs should be Halal certified** despite its move to expand regulatory oversight and guidance through its MS2424: 2012 Halal Pharmaceuticals General Guidelines²¹
- ↘ **However, there is a critical, life-saving role for Halal Pharmaceuticals, with the growing phenomena of people, especially children, not being inoculated** against diseases over concerns about ingredients in vaccines, including porcine gelatin and non-Halal ingredients. The conventional sector has not addressed this challenge, but AJ Pharma is developing the world's first non-animal origin, Halal-certified polio, meningococcal meningitis (MMR) and dengue fever vaccines²²

²⁰ Suzuki, J. 2016. Halal push hits a snag in Indonesia - *Nikkei Asian Review*.

²¹ Cochrane, P. 2016. OVERVIEW-How attractive is Malaysia's halal pharmaceutical sector?. *Salaam Gateway - Halal Industry*.

²² DinarStandard. 2016. CASE STUDY-AJ Pharma developing the world's first halal vaccines. *Salaam Gateway - Halal Industry*.

“Marketing is at risk of being too specific and vague – there needs to be a broader outreach, going beyond Muslim consumers, focused on quality”

4. THE ROADMAP TO ADDRESSING THIS CHALLENGE IS PUSH AMONG CERTIFIERS TO POSITION HALAL AS A SIGN OF QUALITY

- **Accommodation and consistent messaging:** Halal certifiers must work together with other certification agencies to recognize as Halal certain types of certification, such as animal free, to clearly and ostensibly address the needs and concerns of Muslims
- **Awareness campaign:** Bolster awareness among consumers about Halal Pharmaceuticals and the Halal status of drugs and vaccines
- **Positioning:** Broadening the definition of Halal to incorporate other aspects can help create a “super” label that addresses the needs of Muslims as well as vegetarians and other religious and minority groups, helping maximize the market opportunity for Halal Pharmaceutical products.



Stakeholder Feedback

On the Roadmap:

- At this moment in time Halal consumers are not even aware of the issues that pertain to existing vaccines. I think once a critical mass is reached, finance becomes even easier and expedited, as a lot of investors out there are very keen to invest but need to understand the market size, and that depends on consumer awareness.

SHOEB RIAZ

International Halal consultant running Createory (U.K.)

On the End State:

- If we do pure religious branding, we may have hiccups and roadblocks, but if it is done more on a scientific side, like biologics free of animal sources, it can be classified as Halal. We need to break barriers of how to brand it. The whole idea (of Halal vaccines is) not to change the world, but to bring more people into the fold of immunization, as a service to humanity. To achieve that goal, proper branding, not propagating religion but health, to reduce the risk of carriers of diseases and prevent deaths”

DR TABASSUM KHAN

Managing Director of AJ Pharma Holding and Chairman of AJ Biologics (Saudi Arabia)





Halal Cosmetics Sector

Just as Muslims are concerned about what food they consume, Muslims are increasingly aware that the cosmetics products they use — which are absorbed into the body — may not be Halal, or permissible. Such concerns have given rise to Halal Cosmetics, which contain ingredients that are religiously permissible and not derived from porcine or cochineal. This has led to the development of non-porcine lipstick, as well as creams, shampoos and lotions that are free from non-Halal slaughtered animals.

The sector has been sized at \$57 billion in 2016, increasing by two percent from 2015 and expected to grow by 6 percent per year to reach \$82 billion by 2022.

The sector has had particular growth and acceptance in Muslim-minority countries such as the U.S. and the U.K., driven by young and trendy Muslim women, although such Halal Cosmetics brands have also had export markets firmly in their sights.

Multinationals companies are also recognizing the segment's potential, with the U.K.'s Seven Scent, owned by PZ Cussons, getting Halal certification for the export market, and other global players getting Halal certification for regional sales, such as in Southeast Asia. However, due to negative Islamic sentiments, multinationals are treading carefully when it comes to labeling products as Halal, cherry picking markets where they wish to emphasize certification.

Conversely, New York-based website Muslimgirl.com approached U.S. cosmetics giant Orly to collaborate on the development of a permeable Halal nail polish (permeability being important for wudhu — ablutions — before praying). The company jumped at the opportunity, allowing Muslimgirl.com to create and launch six Halal nail polishes, just in time for Ramadan 2017. Using the opportunity to promote Muslim names and counter negative attitudes towards Islamic, the nail polishes have tailored names such as “Haram-Bae”, “What the Fatima?”, “Ig-Noor the Haters” and “The Perfect Amani-Cure”. Such a collaboration highlights the power of social media, in addition to cosmetics companies wanting to diversify their product portfolios.

But while progress is afoot, consumer confusion about Halal certification and a lack of awareness about the concept of Halal has stymied potential growth in the sector, especially in terms of exports. The move towards more a universal standard should help bolster this segment, otherwise Halal Cosmetics could lose out to the burgeoning global demand for organic, natural and Ayurvedic cosmetics products.

HALAL COSMETICS

MARKET SIZE¹

How much does global Muslim market spend on personal care/cosmetics?



BENCHMARK

How does global Muslim market compare to the rest of the world?
(cosmetics spend, 2016 est., US\$ Billion)



Total Muslim Spending (2016)



TRADE BY OIC* COUNTRIES

Cosmetics trade value of OIC* member countries

(2016 est., US\$ Billion)

(Only for Essential oils, perfumes, cosmetics, toileteries manufacturing)



OIC Exports \$3.7 Bn
3.2% of global exports

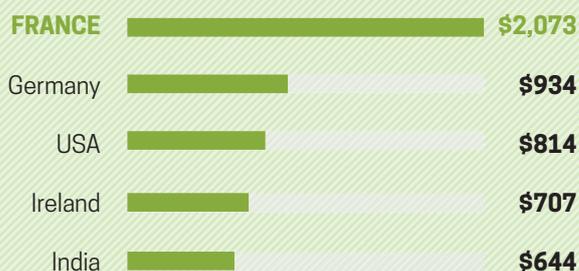
Global Exports \$115.8 Bn



OIC Imports \$12.6 Bn
10.9% of global imports

Global Imports \$116 Bn

Which countries export most personal-care/cosmetics products to OIC countries? (2016 est., US\$ Million)



(\$8.9) Bn Personal care/cosmetics trade deficit by OIC countries in 2016

1. Expenditure data from national industry associations, national statistics agencies, Eurostats and DinarStandard Analysis, DinarStandard Muslim market estimates & analysis; Sector correlated IMF Outlook Oct 2016 Database for projections. See Report for full methodology.

Issues & Opportunities Map

Products & Services

- ✓ Growing presence on supermarket shelves
- ✓ Medium sized/regional manufacturers catering to Muslim segment i.e. hijab shampoo in MENA
- ✓ Innovations
- ✓ MNCs get halal certified i.e. UK's Seven Scent
- ✓ ORLY teams up with Muslimgirl.com

Consumer Needs Ecosystem

- ✓ Raising awareness
- ✓ US, East Asia and MENA key development markets
- ✓ Halal ingredients easily sourced
- ✓ Halal cosmetics versus conventional
- ⚠ Halal labeling mixed reception
- ⚠ Misleading labeling
- ⚠ More women focused than men

Financing

- ✓ Private equity and Joint Ventures
- ✓ Islamic funds looking to invest
- ✓ SMEs support

Policies, Regulations & Operations

- ✓ JAKIM launches cosmetics accreditation scheme
- ⚠ Lack of clarity regarding Indonesia 2019 regs
- ⚠ Lack of universally accepted standard

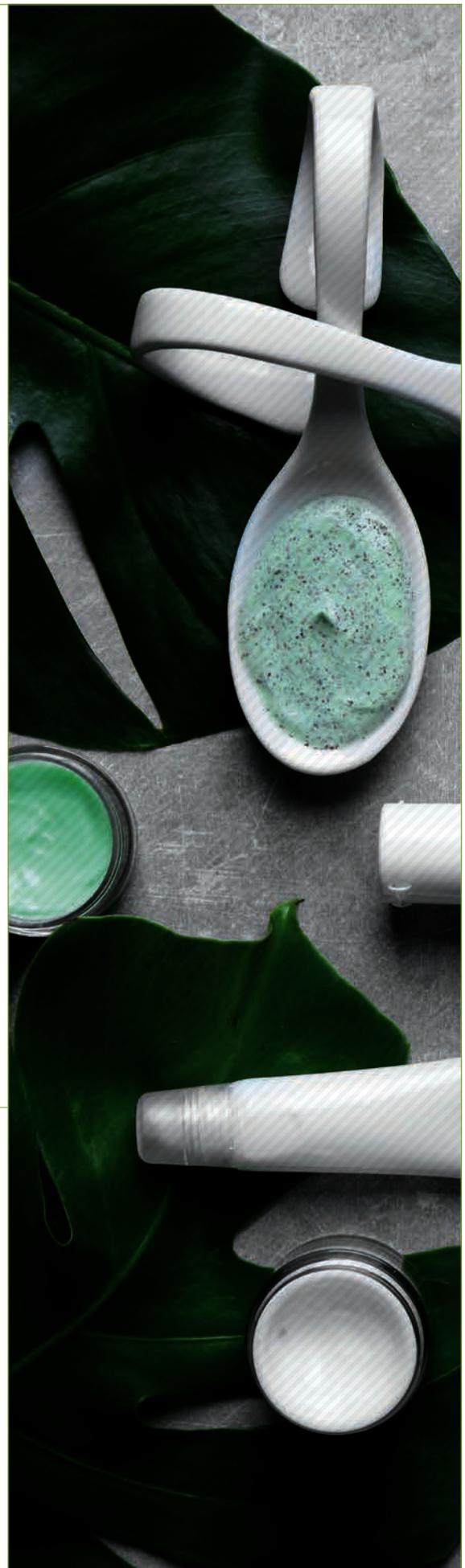
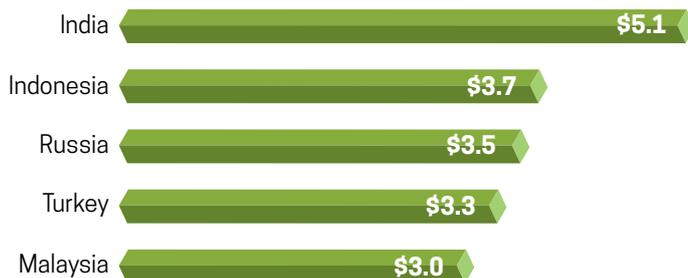
✓ Opportunities/developments

⚠ Challenge

TOP MARKETS BY SIZE

Top countries with Muslim consumer cosmetics expenditure

(2016 est., US\$ Billion)



Cosmetics Market Sizing

“Muslims spend on Cosmetics showed a strong 4.4 percent growth from 2015 to 2016”

This Report estimates global Muslim spending on cosmetics to be \$57.4 billion in 2016, 7 percent of global expenditures of \$784 billion. Muslim spend on cosmetics is expected to reach \$82 billion by 2022 (8 percent of global expenditure), a CAGR of 6 percent from 2016.

The Muslim market for cosmetics ranked fourth globally, behind the U.S. (\$86 billion), Japan (\$85 billion), and China (\$65 billion). The top ten Muslim markets with cosmetics expenditure were India (\$5.1 billion), Indonesia (\$3.7 billion), Russia (\$3.5 billion), Turkey (\$3.3 billion), Malaysia (\$3 billion), and Bangladesh (\$2.7 billion).

Breaking down and referencing Muslim spend in 2016





Key Developments in 2016/17

The emergence of new players, brands and segments

New products are emerging including breathable nail polish

- U.S. brand Orly teamed up with MuslimGirl.com to launch six Halal nail polishes¹
- Malaysian Halal Cosmetics brand PrettySuci launches website hosting 15 Halal brands from all over the world with more than 200 products²
- Pakistan's first Halal certified cosmetics brand, Masarrat Misbah, launches Halal blusher, eye shadow and liners, all made in Turkey³

Halal Cosmetics is addressing broader lifestyle product opportunities

- Malaysia-based PrettySuci's wide range of products are offered through an online store and deliver to in Malaysia, Australia, the U.S., South Korea and Taiwan
- Wardah is a full-range Halal Cosmetics brand in Bangladesh that boasts being safe for health in addition to inspiring beauty⁴
- Malaysian brand Aisa's Halal Cosmetics uses only natural ingredients that are both health-certified and Halal certified⁵

Increasing industry maturity and investment

Mainstream retailers and cosmetics companies are embracing Halal

- U.K.'s Asda supermarkets stock Halal Cosmetics, the second to do so in the U.K. after Morrisons⁶

More GCC perfumes are becoming Halal certified

- ESMA offers an Issuance of conformity certificate for perfumery products⁷
- The Gulf Halal Center covers all types of cosmetics and beauty products including those for skin care, face care, body care, hair care, and perfumes⁸
- The Hadiya Shop based in the UAE offers non-alcoholic perfumes⁹

1 Kuruvilla, C. 2017. An American Beauty Brand Just Released A Line Of Nail Polish For Muslim Women. *Huffington Post*.

2 The Malay Online. 2017. Let your light shine with pretty suci a Halal beauty portal.

3 Bizmax. 2017. Masarrat Misbah Makeup new shades launch. 15 February.

4 The Daily Star. 2017. Wardah: a world of cosmetics.

5 Altmuslimah. 2017. Aisa halal cosmetics: cruelty free and fabulous.

6 Alim, E. 2017. UK's Halal Cosmetics Co to launch range exclusive to Asda in May. *Salaam Gateway - Halal Industry*.

7 ESMA. 2017.

8 Gulf halal center. 2017.

9 Hadiya shop. 2017.

“Orly’s partnership with Muslimgirl.com sets an important precedent for how Western mainstream brands can appeal to Muslim consumers”

Operational and regulatory trends

Halal regulation has been extended to cosmetics products

- Malaysia to develop MS2424 standards for Halal Cosmetics.¹⁰

There have been advancements in Halal testing

- The Dubai Central Laboratory of Dubai Municipality tested cosmetics and personal hygiene items to ensure they meet Halal standards. Items include lipsticks, creams, and soaps.¹¹

¹⁰ Department of Standards Malaysia. 2017.

¹¹ Gulf News. 2017. Dubai Central Lab launches halal-testing service.

Opportunities and Challenges

Summary: Financing and inter-sector convergence can help create scaled, global Halal “beauty” companies that combine fashion with cosmetics, but the industry is held back by a lack of robust marketing, and confusion over the need for certification.

✔ OPPORTUNITIES

⚠ CHALLENGES

1. PRODUCT CATEGORY

- ✔ **Eyeliner, mascara and foundation segment categories are underdeveloped:** Halal Cosmetics has substantial room to expand product categories, meeting a broader range of needs for loyal customers
- ✔ Retail expansion is an opportunity that needs to be capitalized: Building on initiatives by ASDA in the UK to stock Halal Cosmetics, there is a substantial opportunity for e-commerce based brands to pursue expansions with leading retailers, in particular targeting Muslim minority countries
- ⚠ **However, the branding of Halal Cosmetics limits the opportunity to Muslim consumers,** with greater emphasis needed on the intrinsic quality of the product. Focusing only on Halal will restrict the market to a small portion of Muslim consumers, with strong competition from vegan-based manufacturers

2. FINANCE CAN PLAY A KEY ROLE GOING FORWARDS

- ✔ **Private Equity investment in cosmetics can drive substantial growth.** This could result in substantial investments could be made, exceeding \$1 billion in aggregate, by global and Sharia-compliant Private Equity firms in Halal Cosmetics, propagating the emergence of global, scaled Halal Cosmetics companies with substantial OIC-wide brand recognition
- ⚠ **However, there is a lack of notable success stories** that have been seen across other Islamic Economy lifestyle sectors, which indicates that the sector is still largely perceived as a niche in the investment community

3. CONVERGENCE

- ✔ **Halal hubs can play a key role in driving industry growth:** In particular, freezones can help convergence between Halal sectors, ease availability of sourcing ingredients, product development, and technology, while enabling full product portfolios
- ✔ Halal “beauty” as an offering: There are robust opportunities to develop high quality brands that cater to the broad needs of Muslims, from apparel to nail polish
- ✔ Online sales: Dedicated portals selling Halal products, from cosmetics to fashion and food, can lead to substantial growth in sales, as well as providing more data on consumers and markets, and product demand

4. REGULATIONS ARE SIGNIFICANTLY IN NEED OF HARMONIZATION

- ⚠ **However limited standardization inhibits market entry:** Although global players are venturing into Halal Cosmetics, confusion over the need for Halal certification, especially if vegetarian ingredients are used, can limit the competitive advantage of companies marketing their Halal status, making growth difficult in a highly competitive industry, with leading, well-established brands.



Trajectory and Roadmap

✔ OPPORTUNITY

NATURAL HALAL: The opportunity to build on natural organic cosmetics propositions to develop a fully-fledged personal care products company around a Halal proposition.

1. THE CORE OPPORTUNITY IS TO LINK HALAL WITH ORGANIC AND SUSTAINABLE

Consumers are increasingly looking for sustainable and ethical products, which Halal-certified products can tap into, especially if Halal brands are also natural and/or organic, but few Halal Cosmetics companies currently offer the full range of 'head to toe' personal care products

2. THE END STATE COULD BE A MULTI-BILLION-DOLLAR COMPANY

Substantial investments have been made, exceeding \$1 billion in aggregate, by global and Sharia-compliant Private Equity firms in Halal Cosmetics, propagating the emergence of global, scaled Halal cosmetics companies with substantial OIC-wide brand recognition. Some SMEs have been acquired by multinational brands recognizing the market potential of Halal Cosmetics, while national, regional and global Halal brands have developed into medium-size companies

3. EXAMPLES SHOW THE PROMISE OF ORGANIC AND NATURAL PRODUCTS, AND HOW ROBUST GOVERNMENT SUPPORT HAS MADE A SIGNIFICANT DIFFERENCE

- **The organic products industry is a case in point, with multinationals making a play after smaller companies took the first step in addressing consumer demand:** The growth of the organics industry has been robust, projected at 8-10 percent CAGR to 2024, and to reach \$21.7 billion, attracting a number of mid-sized players, which have ultimately been acquired by leading multinational cosmetics companies such as France's L'Oreal buying British company The BodyShop and Clarins' acquiring a stake in France's Kibio¹²
- **Strong stakeholder support is needed for the industry to develop, as evidenced in South Korea:** The South Korea government has played a critical role in supporting its cosmetics players, resulting in exports surging from \$1.02 billion in 2012, to reach \$2.75 billion in 2015, and \$3.97 billion in 2016¹³
- **However, Ayurvedic products have established themselves as a natural competitor to Halal — necessitating a robust marketing pitch for Halal Cosmetics:** In India, natural Ayurvedic products account for a third of the country's \$8 billion beauty and personal care market, with all-natural products growing 2.5 times faster than non-natural products.¹⁴ The Ayurvedic segment is forecast to grow by CAGR of 16 percent to 2022¹⁵

¹² Global Cosmetic Industry Magazine. 2016. Natural and Organic Personal Care on Track to \$22 Billion by 2024.

¹³ Export.gov. 2017. *Export.gov - Cosmetics*.

¹⁴ AT Kearney (2017). *Demystifying the future of Beauty and Personal Care*.

¹⁵ Techsci research. 2016. Ayurvedic Products Market to Grow at 16% through 2021.

“Halal Cosmetics as an industry has a real opportunity to appeal to a broader consumer base by marketing it’s ethical and organic credentials”

4. THE ROADMAP TO REALIZING THIS OPPORTUNITY INVOLVES ROBUST MARKETING AND INVESTMENT

- **Robust branding and product development:** Marketing products to a broad set of consumers based on values rather than just Halal certification will maximize revenues for existing products
- **Critical role of investment capital and funding:** Growth capital from individuals and investment firms will help firms develop a wide range of products to address the needs of consumers, and scale to address the needs on a global scale.



Stakeholder Feedback

On the Roadmap:

- I think you have to bring conviction for external investors that are new to Halal to get over a hump they have and understand the concept. As Halal Cosmetics is something that’s not been done before, it is a blue ocean strategy.

MAULI P. TELI
 Managing Director, Ecotrail
 Personal Care Pvt. Ltd., Iba
 Halal Care (India)

On the End State:

- I think Halal Cosmetics will be huge, if you look at the population and projected growth, as products are appealing to the younger population. A lot of brands don’t understand that young Muslims want to be seen when out, in bright colored lipstick and nail polish, but also to dress modestly.

SUKI FULLER
 Chief Strategy Officer
 and Board Member of Nizz
 Cosmetics (U.K.)

▲ CHALLENGE

VALUE PROPOSITION: The lack of a clear value proposition and certification logo for Halal in light of natural and organic alternatives could hinder growth.

1. THE CORE CHALLENGE IS THAT HALAL AS A CORE PROPOSITION IS LIMITING

Without consumers understanding the benefits of Halal and effective without marketing, the sector will not take off. Halal brands need to stand out from such competition. A more coordinated approach between certifiers and manufacturer would enable the segment to move from a focus on certification to post-certification development and assurance.

2. THE END STATE IF THE PROBLEM ISN'T ADDRESSED IS THAT THE MARKET WILL REMAIN NICHE

Halal Cosmetics will remain niche, having lost potential market share to natural and organic cosmetics in OIC as well as non-Muslim majority countries, unless a strong certification scheme for cosmetics has been developed, such as greater adoption of Malaysia's JAKIM standards

3. EXAMPLES SHOW HOW NATURAL AND ORGANIC FEATURES OF A PRODUCT HAVE BEEN LEVERAGED TO POSITIVE EFFECT

- ↘ **Widespread recognition and acceptance of logos on products such as Vegan, Organic, PETA and Fair Trade have driven greater consumer awareness, and resultantly sales.** The certifiers and associations behind such logos have actively promoted their interests, such as non-animal sourced ingredients, sustainability and equitable trade, as well as the commercial viability of brands that have their logos. Awareness campaigns, such as by PETA (People for the Ethical Treatment of Animals) against animal testing, dovetail with consumer demands for ethical products. Consumers that are aware of, and sympathize with, PETA's stance are more likely to buy PETA-certified products
- ↘ **Unilever has increasingly emphasized sustainability in its brands,** such as Dove, Ben & Jerry's, and Hellman's. In a 2017 survey, Unilever noted that one-third of consumers globally choose brands based on their social and ethical impact. Notably, 21 percent of people surveyed would actively choose brands that made sustainability credentials clearer on packaging, which represents a \$1.14 trillion opportunity out of a \$2.95 trillion total market for sustainable goods. Unilever products that emphasize sustainability have grown 30 percent faster than other Unilever brands¹⁶

¹⁶ Unilever. 2017. Report shows a third of consumers prefer sustainable brands.

“Brands and certifiers need to work together to communicate the benefits of Halal Certified Cosmetics products”

4. THE ROADMAP TO ADDRESSING TO UNIFY CERTIFICATION AND MARKETING EFFORTS

- **Align between branding and certification:** Similar to pharmaceuticals, there must be an alignment between Halal certifiers on the need and coverage of Halal certification, and a mutual recognition of other standards such as vegan and organic
- **Clear marketing pitch:** Halal Cosmetics companies should make an effort to market their products to Muslim and non-Muslim consumers alike, highlighting the product features, such as ingredients and quality, that go beyond Halal certification
- **Awareness campaign:** Certifiers and companies alike must coordinate efforts to highlight the benefits of Halal certification and the associated quality.



Stakeholder Feedback

On the Roadmap:

- I think the Halal logo should be available, not only because it creates options for Muslim women depending on their standards, but especially due to the political-social climate: knowing that Halal is associated with Muslims, it provides greater exposure, greater exclusivity, and conveys that Muslims are worthy of being catered to as well.

AMANI ALKHAT

Founder and Editor-in-Chief of Muslimgirl.com (U.S.)

- I stress we should take the brand global and within the Muslim community, and a market where it is needed, as products appealing to the younger generation.

SUKI FULLER

Chief Strategy Officer, Nizz Cosmetics (U.K.)

On the End State:

- As an industry, as more and more brands evolve and get Halal certified, the backbone of manufacturing and those catering to them will start waking up and offer pre-certified products for certain markets.

MAULI P. TELI

Managing Director, Ecotrail Personal Care Pvt. Ltd., Iba Halal Care (India)

Acknowledgements

Supported by:



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For the fourth consecutive year, the Dubai Islamic Economy Development Centre (DIEDC) in partnership with Thomson Reuters launches the 'State of the Global Islamic Economy Report' including the 'Global Islamic Economy Indicator (GIEI) 2017/18,' as part of its priority to evolve as a one-stop-reference for the global Islamic Economy. The report is a comprehensive study on the continued momentum of the Islamic Economy focusing on the seven pillars that comprise the DIEDC's Islamic Economy strategy.

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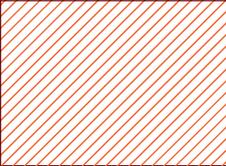
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Report Purpose and Methodology

Report context, purpose and objectives

CONTEXT

The 2017-18 *State of the Global Islamic Economy* Report presents the continued momentum of the Islamic Economy, highlighting progress, taking the pulse of millennials, the core consumer segment of the Islamic Economy, and importantly looks to the future.

The 58 Muslim majority countries¹ of the world represent over \$8 billion in 2016 in PPP terms, just under 10 percent of global GDP. Furthermore, Muslims in total represent a 1.7 billion population growing at a faster pace than the global population and containing some of the fastest-growing global economies.

The influence of the Islamic Economy stretches beyond Muslim-majority countries as more than 350 million Muslims reside as minorities in many nations. All over the world, this fast growing and relatively young population of Muslims is increasingly asserting its Islamic sensitivities in the marketplace across Lifestyle products.

PURPOSE

The purpose of the *State of the Global Islamic Economy* Report is to inspire and empower business leaders, entrepreneurs, government officials and industry bodies to evaluate and develop an actionable, practical, and high impact market strategy focused on the Global Islamic Economy.

Report methodology

APPROACH

In addressing its objectives, the Report incorporates a top-down and bottom-up approach. This includes:

- 1. Primary research and frameworks have been used to ensure a comprehensive understanding of developments, issues and opportunities, supplemented by extensive secondary research.**

PRIMARY RESEARCH

Original research of Halal Food and lifestyle market-related companies and ecosystem institutions was conducted by leveraging the services of on-the-ground analysts from each global region, leveraging Thomson Reuters Islamic Finance Development Report research with expert interviews were also conducted with 26 individuals.

¹ IDB (2017). *Islamic Development Bank Group in Brief*. [Online]. Available at: <http://www.isdb.org/irj/go/km/docs/documents/IDBDevelopments/Internet/English/IDB/CM/Publications/IDBGroupBrief2013.pdf> [Accessed 5 October 2017].

INTERVIEWS



Halal Food

—
Crescent Foods
 Ahmad Adam, CEO (U.S.)
 —
Haloodies
 Imran Kausar, CEO, (U.K.)
 —
Haloodies
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Janan Halal Meats
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Islamic Finance

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 Dr. Sutan Emir Hidayat, Business Administration and Humanities Head



Halal Travel

—
Serendipity Tailormade
 Nabeel Shariff, Founder (U.K.)
 —
Tripfez
 Faez Fadhilla, Founder (Malaysia)
 —
Sps:affinity
 Martin Kubler, CEO (UAE)



Modest Fashion

—
Aab
 Altaf Alim, Commercial Director (U.K.)
 —
Islamic Finance and Design Council
 Alia Khan, Founder and Chairwoman (UAE)
 —
Modest Bride
 Subhi Bora, Co-creative Head (Australia)
 —
Restu Anggraini
 Rahmat Ramadan, Head of Business Development Head (Indonesia)
 —
The Modist
 Ghizlan Guenez, Founder and CEO (UAE)



Halal Media and Recreation

—
Alchemiya
 Naved Akhtar, Founder and CEO (U.K.)
 —
Muslim Kids TV
 Michael Milo, Co-Founder and CEO, (Canada)
 —
Quran Academy
 Bilal Memon, Founder and CEO (U.S.)



Halal Pharmaceuticals and Cosmetics

—
AJ Pharma
 Dr Tabassum Khan, CEO (Saudi Arabia)
 —
CCM
 Rozi Oman, General Manager, Group Halal and Government Relations (Malaysia)
 —
Createory
 Shooeb Riaz, International Halal Consultant (U.K.)
 —
Iba Halal Care
 Mauli P. Teli, Managing Director (India)
 —
Muslimgirl.com
 Amani Alhat, Founder and Editor-in-Chief (U.S.)
 —
Nizz Cosmetics
 Suki Fuller, Chief Strategy Officer and Board Member (U.K.)

SECONDARY RESEARCH AND PROPRIETARY FRAMEWORKS

A range of sources have been used, including but not limited to Halal Focus, Salaam Gateway, international news sites and company websites, supplemented by the extensive project-based sector knowledge developed by DinarStandard. The Report presents sector-level opportunities that are primarily derived from DinarStandard's related project experiences.

2. Social media listening: A detailed examination of close to 700,000 social media interactions pertaining to the Islamic Economy was undertaken.

APPROACH

To gather social media insights by millennials on the Islamic Economy, data from the most popular social media platforms, Facebook, Twitter & Instagram were utilized. Social media based insights are categorized into two main categories:

1. **Social Media Interactions** were from Facebook only, including all 'likes, posts, comments and shares' from Facebook users/pages, related to each Islamic economy sector, tracked during a six-week time period (June 19 – July 30, 2017), with data captured through key hashtags and keywords related to each Islamic economy sector most often used within the past year
2. **Social Media Mentions** were captured from Facebook, Twitter & Instagram; and include all data related to specific social media accounts that allow track conversation data points surrounding specific accounts and sectors.

A total of 685,000 social media interactions were captured and 110,000 social media mentions for this social media analysis. A total increase of circa 350,000 data points from our 2016 report. The interactions and mentions were spread across seven distinct sector dashboards from social media users in the 18-34 yrs. millennial age group. Facebook was used as a de facto platform due to its dominance of the social media landscape with two billion active users worldwide² **Within the Social Media Mentions** category, data from all platforms Facebook, Twitter and Instagram were utilized due to the significant difference in the number of followers of each social media account per Islamic Economy sector.

METHODOLOGY

A social media data aggregation platform called Nuvi (nuvi.com) was utilized for the social media data analysis, covering all languages, but keywords and hashtags were in English. Key hashtags and keywords were researched per each of distinct sectors covered in this report with test portfolios were set-up in order to assess the hashtags and keyword effectiveness.

3. Universe market sizing: The value of Muslim spend across lifestyle sectors by country was developed by applying proprietary Muslim multiplier to global sector-level market sizing data.

MARKET SIZING METHODOLOGY

1 Global lifestyle spend by sector (excl. Finance), \$Bn

Key steps in the calculation (summary)



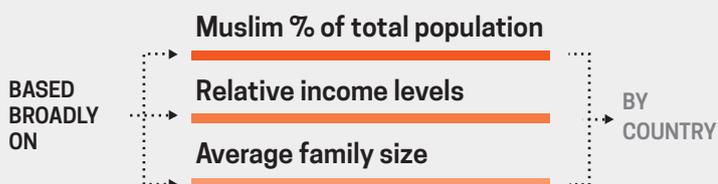
Key external sources

National databases; International Comparison Programs, UN World Trade Organization, World Bank, DS analysis and estimations



2 Muslim multiplier %

Key steps in the calculation (summary)



Key external sources

Census data; DS Analysis and estimations



Total Muslim lifestyle spend market size, \$Bn

² Constine, J. 2017. Facebook now has 2 billion monthly users ... and responsibility. 27 June. *TechCrunch*. [Online]. [5 October 2017]. Available from: <https://techcrunch.com/2017/06/27/facebook-2-billion-users/>

Overall, the Islamic Economy sector estimates are based on the potential universe of the opportunity and focused on its core audience of Muslim consumers globally. **This number does not represent the actual value of the Global Islamic Economy, but more broadly, the total spend value that Muslims provide to the global economy.** Islamic Finance estimates are based on Thomson Reuters data, with banking estimates baselined from central bank data and assumes full regulatory support in the core Islamic Finance markets³ and 100 percent Muslim demographic penetration.⁴

Metrics used to calculate Muslim spend on individual sectors

Muslim market	Global spend metric, by country	Sources used
Muslim spend on Food and Beverage	Spend on Food and non-alcoholic Beverages	Baselined from latest International Comparison Program values (2011), adjusted to more recent values from national statistics agencies and GDP evolution
Muslim spend on Apparel and Footwear	Spend on clothing and footwear	
Muslim spend on Media and Recreation	Spend on Culture and Recreation	
Muslim Travel spend	Spend on outbound travel	2015 UNWTO (World Tourism Organization) and World Bank data
Muslim spend on Pharmaceutical and Personal Care products	Spend on Pharmaceuticals and Cosmetics	National statistics agencies, industry associations

Global Muslim market estimates are applied based on DinarStandard's Muslim population estimates per country that are adjusted for income disparities. **Projections** were determined primarily by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, in many cases showing high correlation, but compared to external estimates by national statistics agencies and global industry forecasts to triangulate historic and projected growth.

³ OIC countries.

⁴ Based on DinarStandard analysis. Note that Global assets data is from 72 countries representing over 85 percent of the global GDP.

Appendix

The Global Islamic Economy sectors operate within a business and financial environment that demands them to adapt to constant change, but there is limited reliable information and data on these sectors to evaluate their development. The Global Islamic Economy Indicator (GIEI) is meant to be a true barometer of the state of the Islamic economic sectors across their fundamentals. The indicator aims to introduce a new way of measuring development by combining data from the various key elements of the sectors into a singular composite indicator. This quantified information will help facilitate further comprehension of how the different parts of the market are developing over time.

The Global Islamic Economy Indicator is a composite weighted index that measures the overall development of the Global Islamic economy sectors by assessing the performance of its parts in line with its broader social obligations. It is a global level composite indicator with selected national and industry component level indicators.

Objectives

GLOBAL INDICATOR LEVEL

- Present one single indicator to provide a pulse of the Global Islamic Economy's health and development
- Provide an indicator that is reliable and unbiased
- Provide a global view of the Islamic economic landscape
- Inform current and potential Islamic economy stakeholders/investors about the industry's performance

COUNTRY INDICATOR LEVEL

- Assess the current state of the Islamic economy in each country
- Track changes over time and make comparisons across regions and countries

SPECIFIC SECTOR LEVEL

- Measure the sector's health and development from various perspectives
- Enhance sector's market transparency and efficiency
- Track changes over time and make comparisons across regions and countries

GIEI is a single measure that captures a holistic assessment of the Global Islamic economy industry across all sectors. It is a product of a number of key sub-indicators underlining the industry. Disaggregation of data helps expose the disparities, differences and movements that may not exclusively be covered in wide-ranging aggregate terms.

The different components that make up the indicator were selected based on an outline of the key constituents of the industry as a whole and are based on key contemporary issues covering financial, governance, awareness and social aspects. All components are fundamentally important for the development of the industry as a global business.

Data collection

The data employed in the Global Islamic Economy indicator when aggregating data and computing indicator values includes information that is publicly disclosed only. The employment of disclosed information ensures reliability and consistency of the results.

Universe

All OIC countries are included along with all non-OIC countries with a strong presence of Halal industry.

Country list

GCC

(GULF CORPORATION COUNCIL)

Bahrain
Kuwait
Oman
Qatar
Saudi Arabia
United Arab Emirates

South East Asia

Brunei Darussalam
Indonesia
Malaysia
Singapore
Thailand

South Asia

Afghanistan
Turkmenistan
Bangladesh
India
Maldives
Pakistan
Sri Lanka

Sub-Saharan Africa

Benin
Burkina Faso
Cameroon
Chad
Comoros
Djibouti
Gabon
Gambia
Guinea
Guinea-Bissau
Ivory Coast
Kenya
Mali
Mozambique
Niger
Nigeria
Senegal
Sierra Leone
Somalia
South Africa
Togo
Uganda

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Leading Research House

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Global Community

With more than 100,000 clients in over 30 industries in more than 100 countries worldwide, we have built a growing global network with major decision making executives from top governments and leading institutions.



Salaam Gateway is

the global reference for industry intelligence, news, information, and data from the Islamic Economy. Our news and research resources and extensive database of Islamic Economy companies from across the globe, help professionals to advance their businesses and fuel their innovations. Our insights and intelligence come from Islamic Economy experts, industry analysts, and thought leaders.

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OUTPACING THE **MAINSTREAM**

State of the Global
Islamic Economy Report 2017/18

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