

An Inclusive Ethical Economy

# State of the Global Islamic Economy

Report 2018/19



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# Executive Summary

In the name of God, the Most Merciful, the Most Beneficent

**T**he State of the Global Islamic Economy Report 2018/19 brings you the latest developments and trends from this economy while also highlighting the future direction of this sector.

With 1.8 billion Muslims, and Muslim spend estimated at US\$2.1 trillion in 2017, the Islamic economy continues its steady growth. But there is significant scope for growth and maturity in the Islamic economy, with a mere US\$745 million in disclosed private equity investments over three years, far less than the almost US\$595 billion in private equity and venture capital investments that occurred globally in 2017.

While more government backing is needed in certain segments of the Islamic economy, at the same time there was a more nuanced focus on the necessary steps to take the Islamic economy further, especially regulations. We are also seeing certain countries come out as leaders, notably the UAE, Malaysia and, to a lesser degree, Saudi Arabia and Indonesia.

This report estimates that global Muslim spend across lifestyle sectors was US\$2.1 trillion in 2017, while the Islamic finance sector has US\$2.4 trillion in total assets. Food and beverage leads Muslim spend by category at US\$1.3 trillion, followed by clothing and apparel at US\$270 billion, media and entertainment at US\$209 billion, travel at US\$177 billion, and spending on pharmaceuticals and cosmetics at US\$87 billion and US\$61 billion respectively.

The Islamic economy has shown it is in tune with the latest developments in technology and investment. Companies have adopted blockchain technology for payments, to confirm halal compliance, or track food, cosmetics and pharmaceutical products from the manufacturing facility to the retailer. In Islamic finance, blockchain and automation is expanding access to financial services.

Smart technologies are being incorporated into clothing, such as the smart hijab, to GPS systems that show the closest prayer spaces. Equally, investment is taking place in artificial intelligence (AI), virtual reality (VR) and the internet of things, showing a readiness to cater to the needs of Muslims in the 21st century.

The Islamic economy is also tapping into the growing trend for ethical products and services. It is a trend that the Islamic economy is perfectly aligned with, from Islamic finance based

on ethical, shariah-based principles, to halal food that heightens trust between producer and consumer — from the farm to the fork. Blossom Finance is a perfect example, with its blockchain solution to help SMEs raise sukuk finance.

Islamic companies are equally tapping into the growing trend for natural and vegetarian products, from organic halal cosmetics to halalopathy, to life-saving vaccines free from animal components.

**Halal Food** has more companies than any other sector of the Islamic economy. More and more products are on offer as ingredients are increasingly halal certified, and company portfolios diversify to cater to increasingly sophisticated taste buds, from burgeoning demand for halal-certified mozzarella, to growing demand for organic food. Multinationals have noted the opportunity, with Haribo opening a halal candy store in London, and Japan's Mitsubishi Corporation investing in the UAE's Al Islami Foods. Mergers and acquisitions activity continues, although a number of major investments are still needed to take the sector to the next level — a global halal food brand. Regulatory oversight of halal food production is steadily improving, with the UAE and Malaysia taking the lead. With Muslim spend on food and beverages growing at 6.1 per cent and forecast to reach US\$1.9 trillion by 2023, there are significant opportunities for investment and the creation of global halal food brands.

The **Islamic Finance** sector is fast becoming a force to be reckoned with, especially in OIC countries. Islamic banking penetration is on the rise, notably in the UAE, while Islamic finance overtook conventional loans in Malaysia in 2017 as the growth driver of the domestic banking system. Islamic finance has moved beyond the core hubs of the UAE and Malaysia to include new entrants as governments seek to bolster financial inclusion, from East Africa to Central Asia. Sukuks continue to be issued, including the first dollar-denominated sukuk by a GCC issuer for US\$1 billion. Islamic investment platforms are being developed that utilise FinTech, from the world's first shariah-compliant robo-advisory firm, to the first shariah-compliant gold platform. A burgeoning sector, assets were estimated at US\$2.4 trillion in 2017, and expected to surge to US\$3.8 trillion by 2023.

**Halal Travel** is spreading its wings through offering cultural, historical, religious and beach tourism. Muslim-friendly beach resorts are proving particularly popular, while governments in the Middle East as well as the Far East are expanding



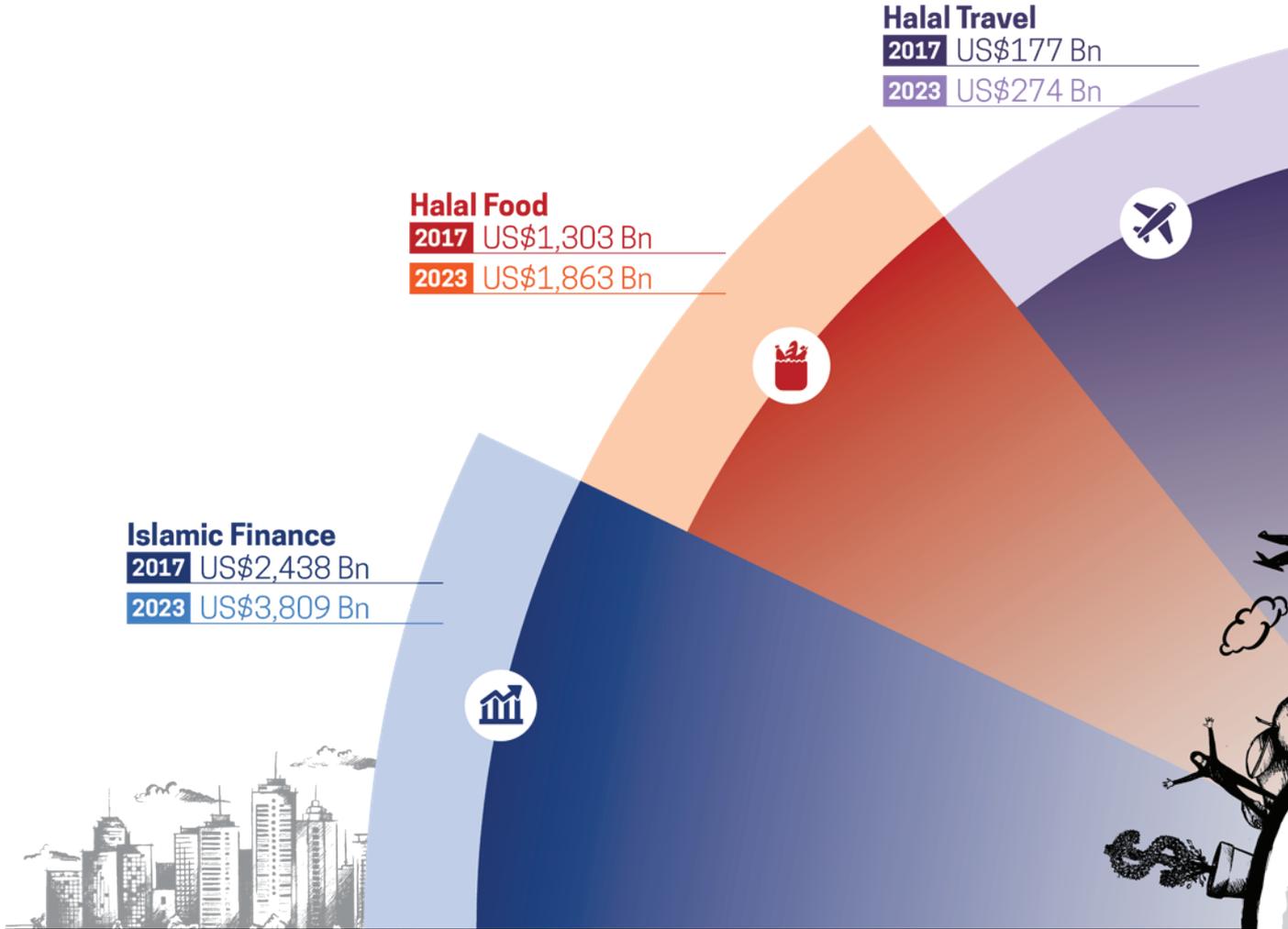
services and facilities as the number of Muslims traveling abroad increases. Mainstream travel services are going Muslim-friendly, from timeshare holiday apartments in Dubai to a growing array of apps and websites catering to Muslim travellers. Indeed, the digitisation of halal travel is slated to drive the sector forward, bolstered by machine learning and the customisation of travel recommendations as halal travel services harvest data analytics. Muslims spend on travel was US\$177 billion in 2017, and is forecast to reach US\$274 billion by 2023.

**Modest Fashion** has solidly moved into the mainstream, from models waltzing down the catwalks in hijabs for luxury brands to European fashion magazines sporting Muslim models on their front covers. A notable shift has been high street retailers launching their own modest fashion lines, from Macy's in the USA to Marks & Spencer in the UK, and H&M worldwide. Meanwhile, Malaysian actress Neelofa became the first hijab-wearing ambassador for French brand Lancôme. Modest fashion brands in OIC countries continue to be launched, and Muslim millennials are setting new trends in both Muslim and non-Muslim-majority countries. Muslim spend on clothing was US\$270 billion in 2017, and is forecast to reach US\$361 billion by 2023.

**Halal Media and Recreation** is broadening its appeal, from the big screen to a Muslim 'Netflix' for children. There is increasing demand in the Middle East for Arabic content, with Netflix developing a local series, while Turkish TV series continue to be popular beyond its borders, especially with high-end productions like Ertugrul, an Ottoman version of HBO's Game of Thrones. But it is not just Islamic-themed entertainment that is gaining an audience. Apps and websites are being launched catering to Muslim's spiritual needs, while the UK held its first Muslim literature and culture festival, MFest. Muslim spend on media and entertainment was US\$209 billion in 2017, and is forecast to reach US\$288 billion by 2023.

The **Halal Pharmaceuticals and Cosmetics** sectors continue to expand as more products are produced and ingredients are increasingly halal certified. Halal nutraceuticals are increasingly focused on functionality, while a new concept in halal pharmaceuticals has been developed, halalopathy, which combines spiritual healing with medicine that is halal sourced. Muslim spend on pharmaceuticals was US\$87 billion in 2017, and is forecast to reach US\$131 billion by 2023, while spend on cosmetics was estimated at US\$61 billion, and to reach US\$90 billion by 2023.

# Global Islamic Economy



## Key Drivers Today

**1 Fastest Growth & Youngest Population**

2017 ————— 2060

**1.8 Bn** Muslims      **3.0 Bn** Muslims  
 (↑70%)

---

**24** MEDIAN AGE (2015) in Islamic World

**VS**

**32** MEDIAN AGE (2015) Rest of World

**2 Notable Islamic Economy Investments**

**US\$745 Mn**

Disclosed private equity or venture capital investments, 2015 - 2018

---

**3 Significant Trade in Islamic Economy Lifestyle Products**

**IMPORTS** **US\$271.8 Bn**

**EXPORTS** **US\$210.5 Bn**

by Islamic countries (OIC\*) 2017

### Modest Fashion

2017 US\$270 Bn

2023 US\$361 Bn



### Halal Media & Recreation

2017 US\$209 Bn

2023 US\$288 Bn



### Halal Pharmaceuticals

2017 US\$87 Bn

2023 US\$131 Bn



### Halal Cosmetics

2017 US\$61 Bn

2023 US\$90 Bn

## ISLAMIC ECONOMY MARKET SIZE

2017 US\$2,107 Bn

2023 US\$3,007 Bn

## Future Enablers

### 1 Potential Funds Accessible for Investment



### 2 Innovative Imperative



**Blockchain**  
in Halal products



**Cryptocurrencies**  
in Islamic Finance



**IoT**  
in media and travel

### 3 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:



# The Global Islamic Economy Indicator (GIEI)



## Overview

**The Islamic Economy Indicator gives a comprehensive picture of which countries are best positioned to address the multi-trillion-dollar global opportunity.**

In its fifth year, the Islamic Economy Indicator has evaluated the leading national ecosystems for supporting Islamic economy companies. Islamic economy companies play an important role in addressing Muslim consumer needs and play a critical role in driving economic growth and activity. The Indicator measures the strength of the Islamic economy for 73 countries, across supply and demand drivers, governance, awareness and social considerations, and is a weighted composite of 49 important metrics.

**Malaysia and the UAE lead once again, but significant changes are expected in the leaderboard going forwards as more countries attach strategic economic importance to the Islamic economy.**

Malaysia and the UAE have undertaken important initiatives across regulation, trade and industry support to cement their status as hubs in the trade-driven Islamic economy. There is a growing recognition, however, particularly among Muslim countries, of the need to address the substantial global trade in halal products, as well as the travel opportunity. Such initiatives have translated to important movements in the leaderboard already, with a notable rise in the top 15 for Jordan, Indonesia and Sudan.

## Leaders



1 **Malaysia**

For the fifth year running, Malaysia overall has the leading Islamic economy ecosystem

Malaysia has long ago taken important steps to establish a world-leading Islamic economy ecosystem, led by its robust and comprehensive halal standards, but supported by an extensive ecosystem that spans its halal free zones ('halal hubs'), well-developed halal products manufacturers, a strong Islamic finance industry, and a robust investor ecosystem that includes private equity, venture capital and sovereign wealth funds. Malaysia's lead in the past year has been maintained, with important steps taken to strengthen its role in the global regulation of halal products, with its establishment of an International halal Accreditation Board that seeks to address short-term profit seeking among certifiers.



2 **UAE**

The UAE's Islamic economy strategy has helped create a leading trade-driven ecosystem

The UAE has experienced 6% CAGR annual growth in its GIE Indicator score since 2014 and has taken important steps forward this year in cementing its core role in the global regulation of halal products, building the membership of IHAF to 25 members (as of August 2018). DAFZA, a leading free zone, announced its Islamic economy strategy in 2017, with multiple initiatives aimed at helping multinationals address the Islamic economy opportunity, which included the launch of Goodforce Labs, an ethical and Islamic economy foundry based in Dubai. With the Islamic economy contributing 8.3 per cent to Dubai's GDP, the UAE is in a strong position to act as a core trade hub.<sup>1</sup>



3 **Bahrain**

Bahrain has assumed third spot, led by its advanced Islamic finance ecosystem

Bahrain's Islamic finance ecosystem is second only to Malaysia, gaining an edge over the UAE in Islamic finance in the past year, enabled by its support of Islamic FinTech, notably with the launch of the FinTech Bay, following its unveiling of the regulatory SandBox in 2017.<sup>2</sup>

Bahrain has also risen in the rankings for pharmaceuticals and cosmetics, where it has reached ninth place, and in media, where it has risen to sixth place, playing a bigger role in exporting products to the OIC.



4 **Saudi Arabia**

Saudi Arabia remains a dominant player, but with significant unrealised potential

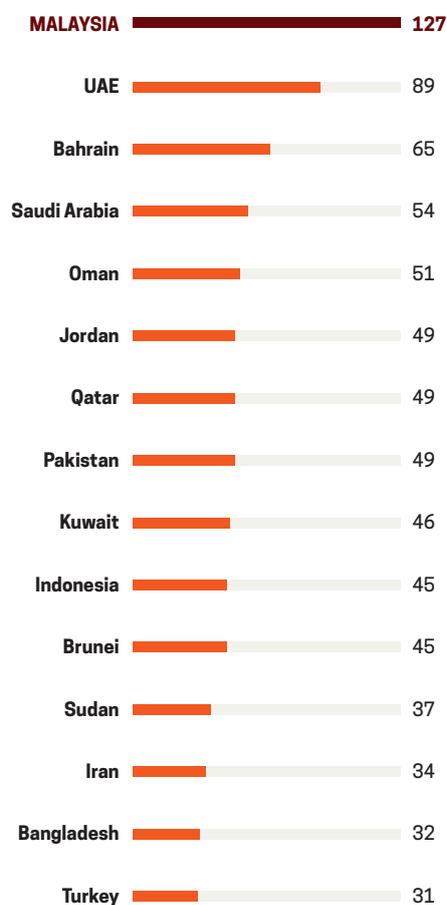
Saudi Arabia remains a powerful leader in the Islamic economy, ranked fourth for Islamic finance, with close to US\$500 million in assets across 129 Islamic finance institutions, and ranked in the top 10 for pharmaceuticals and cosmetics.

Capitalising on its status as the natural centre of the Muslim world, and in line with its 2030 vision to diversify the economy, Saudi Arabia has substantial potential to become a leading entity in halal travel. With a comprehensive Islamic economy strategy, supported by its sovereign wealth fund, Saudi Arabia can play a leading role in facilitating trade.

1 *Islamic economy generates 8.3 per cent of Dubai's GDP.* Gulf News. Ma0y 14, 2018.

2 *Bahrain Opens Fintech Hub.* Gulf Business. February 21, 2018.

**TOP 15 COUNTRIES**  
**GIE Indicator Score**



**TOP 10**  
**Halal Food**

- 1 UAE
- 2 Malaysia
- 3 Brazil
- 4 Oman
- 5 Jordan
- 6 Australia
- 7 Brunei
- 8 Pakistan
- 9 Sudan
- 10 Qatar

**TOP 10**  
**Islamic Finance**

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

**TOP 10**  
**Halal Travel**

- 1 UAE
- 2 Malaysia
- 3 Turkey
- 4 Indonesia
- 5 Maldives
- 6 Thailand
- 7 Tunisia
- 8 Azerbaijan
- 9 Jordan
- 10 Albania

**TOP 10**  
**Modest Fashion**

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

**TOP 10**  
**Halal Media and Recreation**

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

**TOP 10**  
**Halal Pharmaceuticals and Cosmetics**

- 1 UAE
- 2 Malaysia
- 3 Singapore
- 4 Jordan
- 5 Pakistan
- 6 Brunei
- 7 Egypt
- 8 Saudi Arabia
- 9 Bahrain
- 10 Azerbaijan

TOP 15 COUNTRIES	GIE Indicator Score	Halal Food	Islamic Finance	Halal Travel	Modest Fashion	Halal Media and Recreation	Halal Pharmaceuticals and Cosmetics
Malaysia	127	81	173	92	33	51	96
UAE	89	91	83	97	106	109	104
Bahrain	65	45	86	20	19	44	45
Saudi Arabia	54	48	64	34	16	33	47
Oman	51	62	52	28	25	28	43
Jordan	49	60	49	35	23	25	58
Qatar	49	49	55	27	12	63	35
Pakistan	49	58	53	15	22	9	58
Kuwait	46	42	57	12	12	30	34
Indonesia	45	48	46	65	34	16	44
Brunei	45	58	43	26	12	37	57
Sudan	37	55	34	29	8	11	21
Iran	34	36	37	19	11	22	37
Bangladesh	32	35	33	19	28	7	34
Turkey	31	44	21	71	32	25	41



'Golden Bridge on Silk Road' sculpture by Shu Yong, on display at the Olympic Green, ahead of the Belt and Road Forum for International Cooperation, in Beijing, China. TESTING / SHUTTERSTOCK.COM

### Jordan and Indonesia have made important leaps forward in the top 10 rankings.

**Jordan** exhibited a substantial rise from 10th place to sixth place over the past year, with progress made in both Islamic Finance and food

In Islamic finance, Jordan rose from 12th to ninth place, driven by a 4 per cent rise on previous years in the value of Islamic finance assets, as well as the number of shariah scholars

In halal food, Jordan rose substantially from 11th place to fifth place, just behind Brazil, led by a substantial double-digit increase in the export of Food and Beverage products to the OIC. Notable investments in Jordan, such as the US\$16 million investment by Aswaq Investments into Siniora Foods, have supported an expansion in Jordan's production capabilities

**Indonesia** has the largest Muslim population in the world, spending in aggregate US\$218.8 billion across the Islamic economy sectors in 2017, with 215 million Muslims representing 13 per cent of the global Muslim population (in 2015)<sup>3</sup>

Indonesia's ranking for global Islamic economy increased from 11th place to 10th place, overtaking Brunei, driven primarily by a rise in its halal food ranking, with a substantial boost in events and press coverage related to halal food driving increased awareness

### Islamic economy challengers

While OIC countries continue to have the most developed Islamic economy ecosystems, China, Thailand and Philippines represent substantial challengers

Led by its ambitious trade plans, China's 'One Belt One Road' initiative could see it becoming a leader in the export of halal products in particular, with the substantial involvement of 28 out of the 57 OIC countries.<sup>4</sup>

China has seen substantial investment in domestic halal food companies, notably, a US\$32.8 million investment by Henan Shuinghui Investment and Development Company into Wuhui Shuanghai Food, and with a AED 1.35 billion investment in the Dubai Halal Food Park, China is positioning itself to be a leading exporter of halal food.

Thailand and Philippines are also positioning themselves to become leaders in halal products, with Thailand making important strides in developing a halal regulatory ecosystem, with a world-leading Halal Research Center at Chulalongkorn University, and the Philippines seeking to develop the Asia Halal Center, a 100-hectare processing facility.<sup>5</sup>

3 DinarStandard analysis, based on spend across sectors and Pew Research Data

4 China pledges more than US\$100 billion for its global investment push. CNBC World Economy, May 14, 2017.

5 Bondon, Kate. Philippines Enter US\$3 trillion Global Halal Market. Halal Focus. August 04, 2017. Accessed August 14, 2018.

# Islamic Economy's Global Ethical Role

## Global Ethical Economy

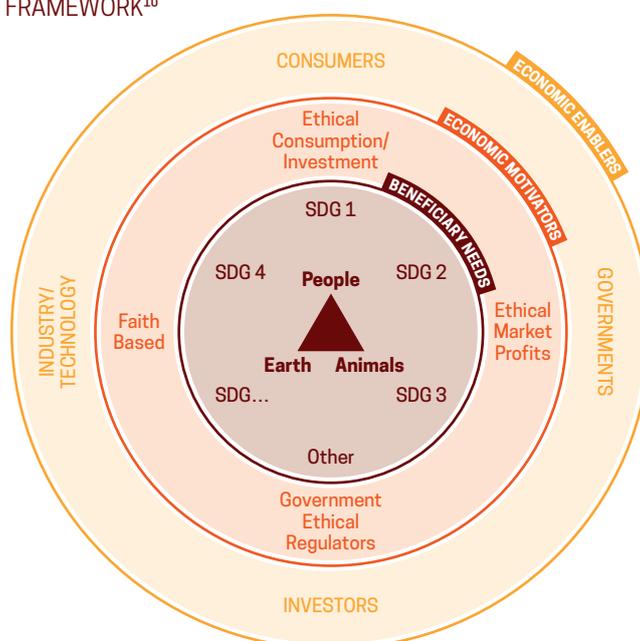
Our world is experiencing developments and challenges at an unprecedented pace. Facts show that average lifespan, health, and general quality of life indicators are better than at any point in human history<sup>6</sup>. Meanwhile, between 1900 and 2000, the increase in world population was three times greater than during the entire previous history of humanity—an increase from 1.5 to 6.1 billion in just 100 years!<sup>7</sup> With population expected to rise to nine billion by 2030, there is tremendous pressure on resources driven by two major future developments: climate change that is putting the whole ecosystem of earth at risk, and job availability, given artificial intelligence and technological efficiencies' impact of reducing jobs.<sup>8</sup> Islamic economy operates in the midst of these challenges and is poised to play a role given its underlying ethical ethos.

The Global Ethical Economy Framework<sup>9</sup> presents a viable global context to derive Islamic economy's role in it. This global framework focuses on a clear articulation of ethical

and social development beneficiaries and their ethical/social needs and challenges. It recognises the economic need of ethical and social development, and hence, differs from purely philanthropic motives with clear identification of enabling stakeholders. Accordingly, this global framework includes: 1) *Beneficiary challenges*: Core ethical/social impact 'beneficiaries' are people, our planet earth's ecosystem, and the animal ecosystems, with a clear identification of their priority needs/challenges (UN SDGs represent a global consensus on needs). 2) *Economic motivators*: Government regulations, consumer/investor behaviour, and faith-based needs/pull. 3) *Economic participants*: Consumers, industry & innovation, government agencies, and Investors.

For Islamic economy's role in the global ethical economy, we apply the global framework to each of the Islamic economy's core sectors to evaluate the role, impact and recommendations of each of the 'economic enablers'.

### GLOBAL ETHICAL ECONOMY FRAMEWORK<sup>10</sup>



SOURCE: DINARSTANDARD /GOODFORCE LABS, UPCOMING GLOBAL ETHICAL ECONOMY REPORT

6 Diamandis, Peter H., and Steven Kotler. *Abundance: The Future Is Better than You Think*. New York: Simon & Schuster, 2015.

7 Roser, Max, and Esteban Ortiz-Ospina. *World Population Growth*. Our World in Data. April 2017. Accessed August 15, 2018.

8 *Government in 2071*. Report. Accessed August 15, 2018.

9 Part of upcoming *Global Ethical Economy Report* by DinarStandard/Goodforce Labs

10 Ibid

## Core Trends



### Beneficiary Needs

**Global:** The United Nations has developed a comprehensive set of **17 Sustainable Development Goals (SDGs)** for the period of 2016-2030 addressing social development needs covering environmental, economic, human rights, education and health-related categories. These SDGs are the most comprehensive prioritisation of global social goals that impact human beings, the environment and animals and was

based on 83 national surveys engaging over seven million people, making it the biggest consultation in UN history. Various other global benchmarks and frameworks also provide deeper perspective geographically (e.g. The Social Progress Index) or within a specific topic area (e.g. Health Index of Human Development Report).

#### ISLAMIC ECONOMY BENEFICIARY PRIORITIES

It's important to acknowledge the inherent ethical values underpinning Islamic economy principles. For example, relating to food and ingredients, 'halal' (lawful) and 'tayyab' (pure, good) are referenced together in Quranic injunctions. As highlighted by Islamic economy scholar Dr Umar Chapra, "Two of the most important constituents of maqasid al-shariah (the goals of the shariah) are socioeconomic justice and the well-being of all God's creatures (including animals, birds and insects)". The SDG goals are a great reference point for beneficiary prioritisation for Islamic economy sectors as they cover many of the related maqasid al-shariah concerns and reflect the beneficiary needs of the global community. Below is a mapping of key SDG areas of beneficiary needs per halal economy sector groupings:

#### MAPPING OF SDG AND OTHER GOALS FOR ISLAMIC ECONOMY CATEGORIES

**Halal Products**  
(halal food, pharmaceuticals and cosmetics ingredients)

**8 priority SDG Goals:**  
#2 No Hunger, #3 Good Health, #5 Gender Equality, #8 Good Jobs & Economic Growth, #12 Responsible Consumption, #13 Climate Action, #14 Life Below Water, #15 Life on Land,

**Islamic Finance**

**11 priority SDG Goals:**  
#1 No Poverty (Microfinance), #2 No Hunger, #3 Good Health, #4 Quality Education, #5 Gender Equality, #7 Clean Energy, #8 Good Jobs & Economic Growth, #9 Innovation & Infrastructure, #10 Reduced Inequality, #12 Responsible Consumption, #13 Climate Action

**Halal Lifestyle**  
(travel, modest fashion, media/recreation)

**7 SDG Goals:**  
#5 Gender Equality, #8 Good Jobs & Economic Growth, #9 Innovation & Infrastructure, #10 Reduce Inequalities, #11 Sustainable Cities, #12 Responsible Consumption, #13 Climate Action



## Economic Motivators

**Global:** Why should economy players prioritise ethical/social needs? We identify four key economic motivators of ethical economic activity influencing at different levels and audiences:

- **Ethical Consumption/Investment trends:** The innate goodness of the human self is increasingly being reflected in global consumerism and investments. According to a large Nielsen study in 2015, nearly three out of every four respondents indicated that millennials are willing to pay extra for sustainable offerings. The percentage of respondents aged 15-20 who are willing to pay for more products and services from companies committed to positive social and environmental impact went up from 55 per cent in 2014 to 72 per cent in 2015.<sup>11</sup> Similarly, investors worldwide are increasingly investing with social conscience. The Global Impact Investing Network (GIIN), has estimated 'impact investing' assets to be at US\$114 billion as of 2016, of which 'housing', 'energy', 'financial services', and 'food and agriculture' were the largest sectors. The GIIN captured 8,000 impact investing transactions in 2016, which is expected to grow by 20 per cent to 2017.<sup>12</sup>
- **Government ethical regulation trends:** Governments, through their regulatory policy making roles, are key motivators in driving economic players to contribute and conform to various areas of ethical and social developmental priorities. While health, safety, labour rights/equality-related regulations are common across most developing economies, increased government regulations around areas such as renewable energy, and environmental impact are further incentivizing and enforcing related social impact.
- **Faith-based trends:** Most religions have significant ethical and social impact on people's consumption habits. The growing Islamic economy is proof of this behaviour but can also be witnessed across Christian, Jewish and other faith followers. According to Pew Research, out of 7.2 billion global population in 2015, 84 per cent are affiliated with some faith group. Abrahamic faith followers — Christians and Muslims — represent 55 per cent of the world's population. By 2060, the faith-based population is expected to further grow to 88 per cent of world population led by Muslim population growth (70 per cent growth through 2060.) Given this significant faith-based population trend, its role as an 'economic motivator' is significant and expected to remain strong.
- **Ethical market profit trends:** Fundamental financial return opportunity that relate to addressing social-impact solution needs is perhaps the most fundamental motivator to address ethical needs. According to UNCTAD, the SDG goals through 2030 present US\$12 trillion in new market opportunities in food, cities, health and well-being offerings.

### ISLAMIC ECONOMY MOTIVATORS

While all four motivators are relevant to Islamic economy, 'government' and 'faith-based' motivators are most relevant to highlight. **Government regulations**, as evidenced by halal food and ingredients standards and compliance are a significant motivator to comply and will also be relevant around environmental and other social impact related regulations. Islamic economy's **faith-based motivators** were highlighted in the 'beneficiary' section as well. Islamic legal guidance goes beyond 'halal' (lawful) and covers 'tayyab' (pure, good) and good and fair treatment of customers, employees, society, partners, the earth, and animals.

11 *Green Generation: Millennials Say Sustainability Is a Shopping Priority*. Nielsen Research. November 05, 2015.

12 *2017 Annual Impact Investor Survey*. Global Impact Investing Network. May 2017.



## Economic Participants

**Global:** Based on the social/ethical needs and their economic motives, key stakeholders or participants are enabling growth of the global ethical economy.

- **Industry/Innovations:** As the economic producers to the ethical economy, industry- and technology-driven innovations play a fundamental role in delivering social/ethical economic impact. **Corporations** today play a significant role in delivering social impact as evidenced by exemplary endowment foundations such as the Bill & Melinda Gates Foundation (set up by the founder of the Microsoft Corporation with an endowment size of over US\$44bill.) and many others who have taken similar initiatives. Corporations also directly have business models and products and services that play a significant social impact role, and many have developed alignment with the UN SDG goals. Visa brings financial services to the underserved, General Mills gives meals to local food banks, LEGO funds children's play, learning, and creativity, Kimberly-Clark recognises that toilets change lives.<sup>13</sup> The UN Global Compact assists industry to engage with the SDG goals. **Social entrepreneurs** are also delivering on global social needs in a profitable manner. According to the Global Entrepreneurship Monitor, assessing social entrepreneurship worldwide, 3.2 per cent of over 160,000 adults interviewed in 58 countries in 2015 were part of a startup that is a social enterprise. **Developing technology driven innovations**, from blockchain, to IoT and artificial intelligence are also critically being applied to various social needs. UNLEASH, an Innovation Lab for SDGs, is an initiative focused on building innovative products and services around the SDGs
- **Consumers:** As highlighted earlier, consumers' ethical consumption demands serve as a key motivator for industry, governments and other ethical economy enablers to act. While there are strong data points on ethical consumer demands (e.g. 73 per cent of millennial consumers will pay more for ethical brands<sup>14</sup>), these practices differ across geographies, socio-economic status, as well as categories of impact. Hence, consumers increasing their ethical choices, will further enable ethical economy impact.
- **Governments/Multilaterals/NGOs:** Governments, multi-laterals and non-profits (NGOs) are key enablers for ethical economic impact. Through PPPs (Public Private Partnerships) governments, multi-lateral global organisations such as various UN agencies, and NGOs strengthen private sectors' role in addressing social impact in societies. Governments also drive standards and regulations to facilitate efficient and effective implementation of ethical economy goals.
- **Investors:** Investors are critical enablers in delivering ethical/social impact. According to UNCTAD, there is an investment gap of US\$2.5 trillion to deliver on SDG goals through 2030. Given the government, faith-based, and consumer and profit motivators highlighted earlier, investors are increasingly seeking to address ethical/social impact opportunities.

### ISLAMIC ECONOMY CONTEXT

Islamic economy participants across all four ethical economy enablers are behind in contributing as ethical economy enablers relative to global activity. **Halal products** are yet to embrace delivering on wider ethical/social impact solutions (e.g. healthy eating, organic food, fair-trade), **Consumers**, especially in OIC-markets, have relatively low awareness to demand and embrace 'tayyab' products/services, **OIC governments** have low focus on social impact/ethical product standards and regulations relative to global counterparts, and **Islamic investors** also have very limited focus on impact investment and social enterprise funding.

<sup>13</sup> Embree, Ingrid. *How 17 Companies Are Tackling Sustainable Development Goals (and Your Company Can, Too)*. The Huffington Post. December 07, 2017.

<sup>14</sup> *Green Generation: Millennials Say Sustainability Is a Shopping Priority*. Nielsen Research. November 05, 2015.

## The Islamic economy roadmap

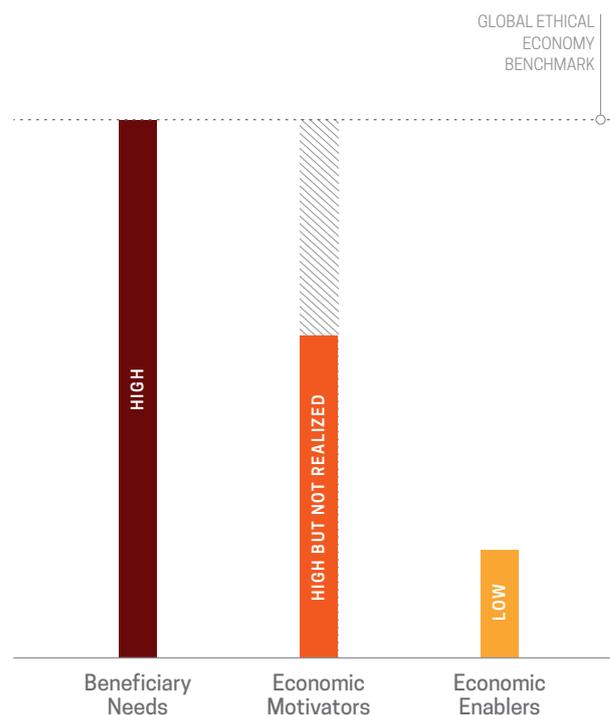
### Islamic Economy Summary

The Islamic economy has a significant role to play in the global ethical economy. As highlighted earlier, a high proportion of social and ethical challenges ('Beneficiary Needs') are in markets and communities core to the Islamic economy. The IDB (Islamic Development Bank) has hence taken a strong role in partnering with the global SDG's. 'Economic Motivators' for the Islamic economy to address ethical needs are also very strong. However, as shown in the illustrative diagram, the realisation or awareness of the motivators, especially faith-based, towards wider 'tayyab' /social impact are currently weak.

Finally, 'Economic Participants' of the Islamic economy (consumers, industry, governments, investors) currently have a very limited focus on addressing ethical/social needs relative to global ethical economy counterparts as evidenced by those who are driving related ethical consumption, products, services, regulations, and investments.

Below is an initial agenda for key Islamic economy enablers to evaluate:

### ISLAMIC ETHICAL ECONOMY RELATIVE TO GLOBAL BENCHMARKS



	HALAL PRODUCTS	ISLAMIC FINANCE	ISLAMIC LIFESTYLE
<b>Impact</b>	<b>8 priority SDG Goals:</b> (#2 No Hunger, #3 Good Health, #5 Gender Equality, #8 Good Jobs & Economic Growth, #12 Responsible Consumption, #13 Climate Action, #14 Life Below Water, #15 Life on Land.)	<b>11 priority SDG Goals:</b> (#1 No Poverty (Microfinance), #2 No Hunger, #3 Good Health, #4 Quality Education, #5 Gender Equality, #7 Clean Energy, #8 Good Jobs & Economic Growth, #9 Innovation & Infrastructure, #10 Reduced Inequality, #12 Responsible Consumption, #13 Climate Action)	<b>7 SDG Goals:</b> (#5 Gender Equality, #8 Good Jobs & Economic Growth, #9 Innovation & Infrastructure, #10 Reduce Inequalities, #11 Sustainable Cities, #12 Responsible Consumption, #13 Climate Action)
<b>Economic Participant Recommendations</b>			
<b>Governments</b>	Facilitate 'tayyab'/'ethical' related standards/ regulations	Facilitate ethical finance standards/ regulations, Incentivise industry	Facilitate 'ethical' related standards/regulations, Incentivise industry
<b>Industry</b>	Expand into 'tayyab'/'ethical' products and services	Expand into ethical/social finance products and services	Expand into 'ethical' products and services
<b>Consumers</b>	Demand 'tayyab'/'ethical' products and services	Demand social impact/ethical financial services/attributes	Demand 'ethical' products and services
<b>Investors</b>	Invest in 'tayyab'/'ethical' halal products and services	Invest in high social impact companies/funds (with mix of high to medium financial return)	Invest in 'ethical' lifestyle products and services



The Madinat Souk at Madinat Jumeirah Hotel, Dubai, UAE. TATVANA VVC / SHUTTERSTOCK.COM

# Technology Megatrends in the Islamic Economy

## The evolution of technology across the lifestyle sectors

As the fourth industrial revolution takes hold, there are four core technological drivers taking place that are transforming lifestyles and industries:

- 1. The connectivity backbone is evolving** as blockchain becomes widespread, driving decentralised, secure transactions and transparent data storage, and as internet connectivity extends to physical matter, a potential impact could exceed US\$3.9 trillion by 2025<sup>15</sup>
- 2. Computers are entering an age of sophistication** as artificial intelligence drives the potential automation of 800 million jobs by 2030<sup>16</sup>, and as big data, projected to be a US\$123 billion industry by 2025<sup>17</sup>, automatically synthesises disparate datasets into actionable insights
- 3. Physical resources are used more efficiently and sustainably** with projected renewable energy industry reaching US\$2.2 trillion<sup>18</sup>, and with 3D printing reaching US\$24 billion, by 2025<sup>19</sup>
- 4. The human body and senses are being augmented** with VR and AR, a US\$135 billion market opportunity by 2025<sup>20</sup>, enabling an enhanced, immersive and multi-sensory experience

As technology trends are mapped by sector, the three most significant developments that can be tied into the Islamic economy are as follows:

- 1. Supply chain visibility for products across all lifestyle sectors is being enhanced** by the broad application of blockchain — enabling clear verification and accountability
- 2. Finance is becoming more nimble and disintermediated** as consumers and businesses seek to transact instantaneously, driving the rise of alternative currencies. Financial institutions are also becoming more efficient, automating substantial functions
- 3. Digital immersion is substantially enhancing human recreation**, including the way humans experience and determine travel plans, and media, spanning from games through to content, and paves the way for new types of advertising

15 Zühlke, Detlef, and Dominic Gorecky. *The Internet of Things Will Disrupt Manufacturing for Ever, but Are You Ready?* World Economic Forum. January 04, 2017.

16 Vincent, James. *Automation Threatens 800 Million Jobs, but Technology Could Still Save Us, Says Report*. The Verge. November 30, 2017.

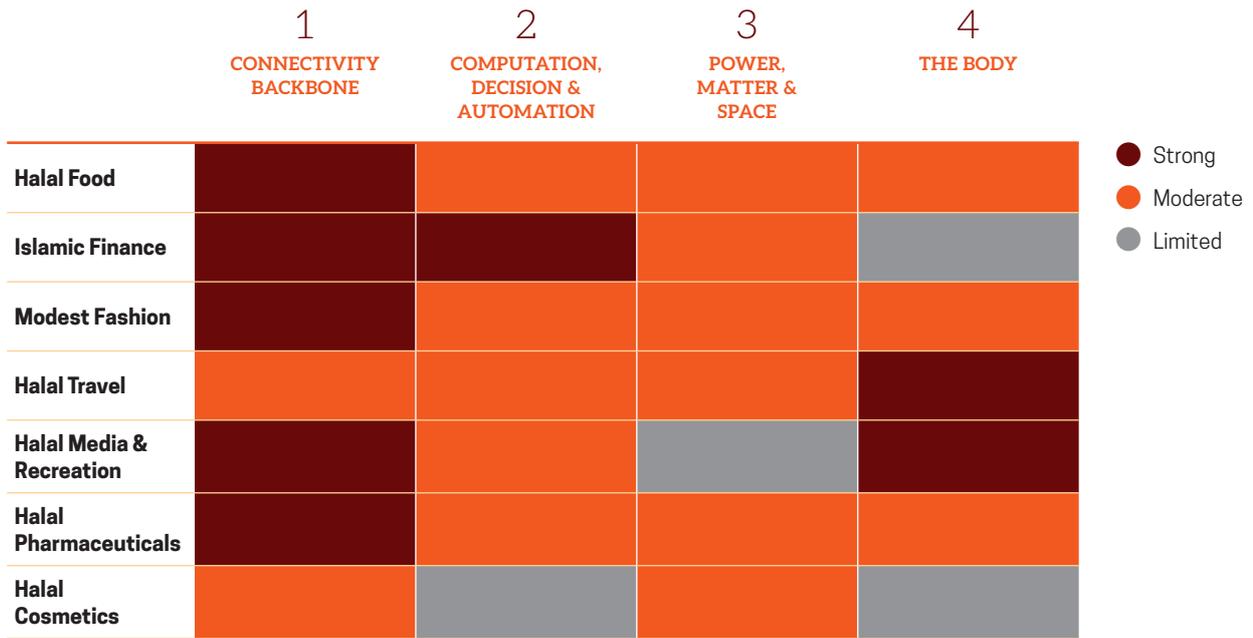
17 *Big Data Market Size To Reach US\$123.2 Billion By 2025*. December 2016.

18 Holbrook, Emily. *Global Renewable Energy Market to Grow 4.9 per cent by 2025*. Energy Manager Today. January 31, 2018.

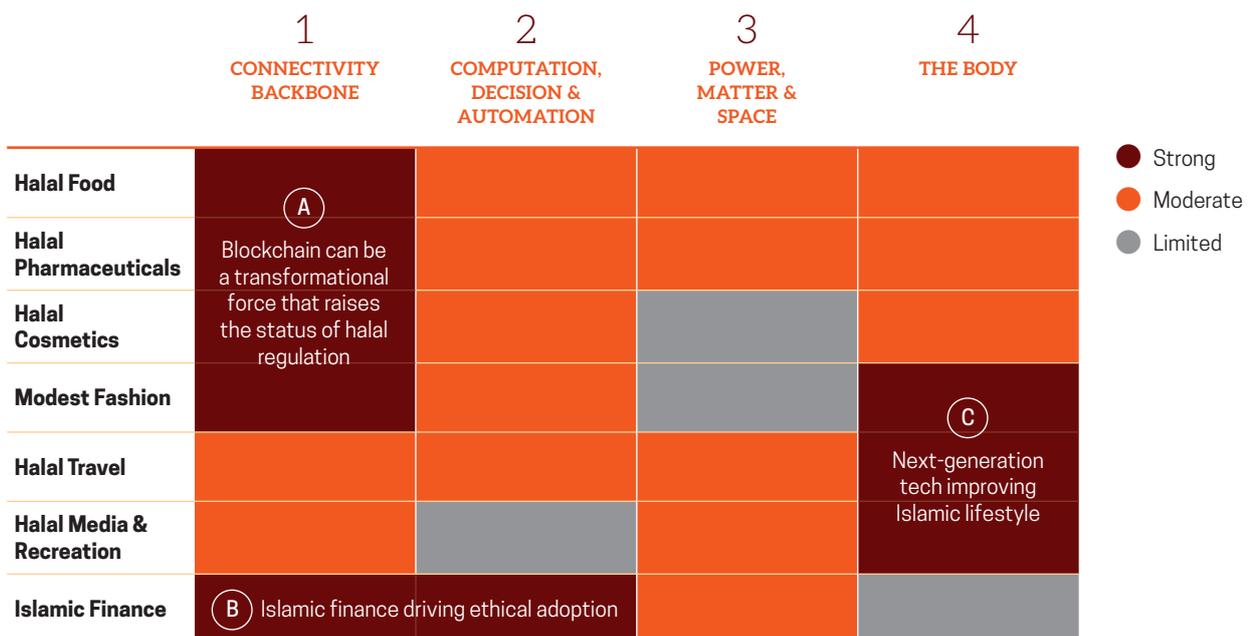
19 *3D Printing (3DP) Market Worth US\$23.79 Billion By 2025 | CAGR: 16.5 per cent*. 2017. Grand View Research.

20 *Can VR and AR Market Reach US\$130.01 Billion By 2025?* How to Use Virtual Reality in Tourism Industry Today. February 15, 2017.

## HEATMAP OF TECHNOLOGICAL CHANGES ON LIFESTYLE SECTORS



## AREAS OF TECHNOLOGICAL DISRUPTION IN THE ISLAMIC ECONOMY



NOTE: TO A LESSER EXTENT, (1) ALSO APPLIES TO HALAL TRAVEL AND HALAL MEDIA, AND (4) APPLIES TO HALAL PHARMACEUTICALS AND COSMETICS



## Technological potential and current progress in the Islamic economy

The same advanced drivers also have the potential to substantially enhance the Islamic economy, although they currently are at very early stages. Three strong core opportunities exist that are further explored in this section.

A

**Blockchain can be a transformational force that raises the status of halal regulation**

### Blockchain promises to make halal compliance more traceable, and products more easily traded

- Across halal products — the technology can quickly confirm halal compliance at each stage of the production, such application can eliminate fraud, and with support from regulators, can raise the market perception of halal relative to other certifications within the food industry
- Bitcoin-enabled marketplaces can allow for the easy and instant trading of halal and lifestyle products, facilitating trade and improving supply chain management.

### 2018 has seen promising developments in blockchain's application to halal products and trading

- **Halal Chain**, a Dubai initiative, has developed a technology that can track food, cosmetics and pharmaceutical products, supported by blockchain, AI, and IoT to track each step of the supply chain with unalterable data, replacing the need for inspectors.
- Similar solutions have been launched by the UK-based **HalalTrail**, focused on food, using technology developed by **TE Food**, and Singapore-based **HealthFX**, focused on pharmaceuticals
- Singapore-based **MyOutlets**, which owns and operates a 10,000-square-foot halal supermarket in Singa-

pore, launched an US\$86 million initial coin offering for **'Halaldinar'**, a blockchain-based coin, with the goal of developing a B2B and B2C digital halal marketplace.

### The roadmap to realizing the opportunity involves a concerted effort from a range of stakeholders, led by regulators

- Standards and accreditation bodies still need to push for a global alignment and rationalisation of halal standards, which will be critical to a successful application of blockchain
- The blockchain technology will need to be adopted across the supply chain ecosystem and incorporated into the work of certifiers as well as customs agencies and governments
- Governments and investors play a critical role in supporting the technology's scalable development

B

**Islamic finance can embrace technology, positioning itself at the forefront of ethical finance**

### Blockchain and automation can play a transformational role in making Islamic finance more accessible to a broader audience

- Islamic finance has historically required more onerous transaction structuring and verification processes, which has resulted in higher financing costs

- Blockchain enables the use of ‘smart contracts’ which can automatically enforce contractual terms, substantially reducing costs
- Furthermore, the application of machine learning promises to automate back office processes, making Islamic finance institutions more profitable and competitive, with a broader set of digital features to enhance user experience, spanning the acceptance of crypto payments, as well as allowing contactless payments
- By becoming more competitive, Islamic finance can position itself at the forefront of the broader ethical finance industry, with ethical screening applied to US\$15 trillion of assets in 2016<sup>21</sup>

**In recent developments, Islamic finance has clearly embraced blockchain and cryptocurrencies.**

- The **Islamic Development Bank** is leading a broader effort to develop the industry beyond traditional retail banking, enlisting two technology firms to explore how to make transactions faster and more reliable
- The conduct of Islamic charitable activity is also being enhanced, with distributed ledger technology used by Singapore-based **Finterra** to create ‘smart contracts’ that can be tied to specific waqf technologies<sup>22</sup>, and with cryptocurrencies being accepted for Zakat by FinTech platform **Blossom Finance**, and mosques in the UK<sup>23</sup>.

**The roadmap to realizing the opportunity involves a concerted effort among leading Islamic finance institutions to directly invest in new technologies, as well as to work in partnership with innovative startups**

- Islamic finance institutions have much to learn from their counterparts in establishing in-house innovation teams — notably leading investments banks such as JP Morgan and Goldman Sachs have taken substantial strides investing in early stage companies and automating workstreams
- Banks must explore a digital roadmap — emerging institutions such as Waqfe represent strong partners especially for MENA region banks to establish digital connectivity with customers
- There is a broader developing ecosystem of Islamic FinTech startups — most notably, robo-advisory firms such as Wahed Invest, and micro-finance, such as Ethis Ventures and Blossom Finance, which represent promising partners for Islamic Financial institutions.



**Islamic lifestyle can be substantially enhanced by VR, AR and internet of things**

**Next generation technologies promise to make Islamic lifestyle a truly immersive experience and open up new advertising channels to meet consumers’ evolving demands**

- The halal travel experience can be substantially enhanced through VR and AR, promising to immerse travellers in history, as well as to provide location-critical data which is applicable to a range of needs — from Hajj and Umrah — to prayer spaces, food and shopping
- Service providers have new avenues to reach end users through enhanced technologies, with unique opportunities to build substantial brand loyalty — such as PlayStation’s use of VR, all of which is important as clear market leaders emerge in the halal and Islamic lifestyle industries

**In recent developments, Islamic lifestyle products and services have been enhanced through the adoption of IoT and augmented reality.** Travel and Islamic lifestyle are set to benefit from IoT and location-based AR solutions:

- **Salaam Technologies** and **Augment** have both entered a partnership to develop a device management platform, to be blockchain-enabled by 2019, that can track users through various wearable and mobile devices
- UK-based **Islamic GPS** also promises to develop an AR app that will enable users to locate prayer spaces within 20 kilometres, an attractive feature, especially for Muslim travellers
- Islamic lifestyle products company **Zileej** is developing IoT products to track spiritual activity, a strong example of next-generation innovation alongside **Veil**’s smart hijab

**The roadmap for companies across halal travel, media and fashion involves developing a compelling, exponential solution for Muslim consumers**

- While ecommerce and peer-to-peer marketplaces have taken off in the Islamic lifestyle sector — the adoption of advanced technology is at a very early stage across the lifestyle industries
- There is substantial room for product and marketing innovation, with much to learn from case studies, such as the use of virtual tours in hotel booking, the use of virtual reality to drive retail experiences and decisions -- a detailed examination of which could lead to interested Islamic lifestyle developments

21 McKenna, John. *Here's What You Need to Know about Ethical Investment*. World Economic Forum. August 23, 2017.

22 Vizcaino, Bernardo. *Blockchain Venture Aims to Modernize Islamic Endowments*. Reuters. February 12, 2018.

23 Rudgard, Olivia. *Bitcoin Can Be Halal, Mosque Declares as It Becomes the First in the UK to Accept Cryptocurrency Donations*. The Telegraph. May 22, 2018.

# Investments in the Islamic Economy

## Background

The aggregate scale and growth across the Islamic economy sectors has been proven, however, the maturity of what is a global, cohesive market opportunity targeting 1.8 billion Muslim consumers has historically been held back by lack of investment.

## Examining investment activity

**US\$745 million in disclosed private, non-strategic Islamic economy investments occurred over the last four years, 88 per cent of which was private equity investment in halal food.<sup>24</sup>**

Across all Islamic economy sectors, excluding Islamic Financial institutions, there was US\$745 million in dis-

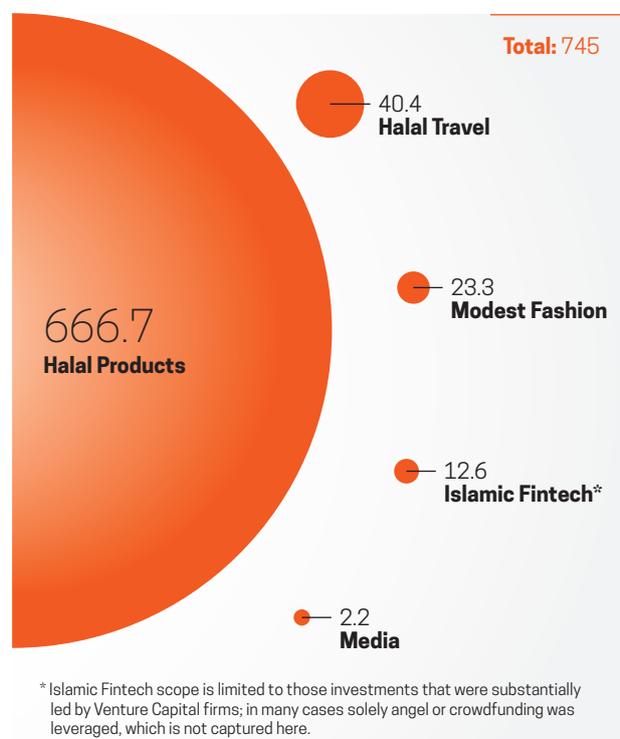
closed private investments across 47 transactions between 2015 and 2018.

Eighteen additional transactions were identified with likely deal values ranging between US\$1-20 million, and an estimated aggregate value of US\$95 million, based on the average investment size by type of investor.

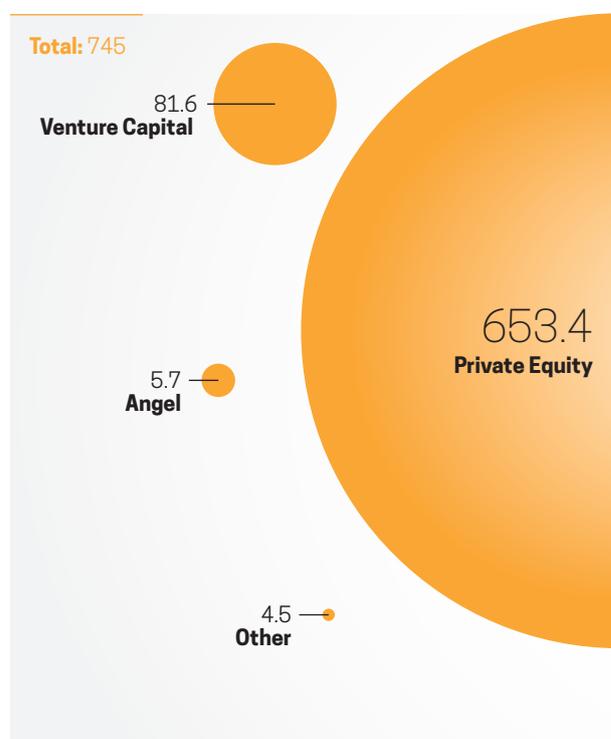
## Aggregate investment is substantially low when compared to global and Muslim spend benchmarks

Global private equity and venture capital<sup>25</sup> investments combined totalled US\$595 billion in 2017.<sup>26</sup> Despite Muslim lifestyle expenditure representing 12 per cent of global spend in 2017, aggregate Islamic economy transactions represented less than 1 per cent of global investments

SEGMENTATION OF PRIVATE INVESTMENTS **BY SECTOR**, 2015-18, US\$ MILLION



SEGMENTATION OF PRIVATE INVESTMENTS **BY TYPE**, 2015-18, US\$ MILLION



24 The transactions were identified based on an extensive search of "Halal" and "Muslim" related transactions globally on Zephyr, as well as Meat, Travel, Media and Clothing investments in OIC-based targets between 2015-18. Islamic Finance only includes the few investments that were disclosed, where venture capital or private equity firms were involved.

25 Samuel, Jennifer. *2017 Global Venture Capital Investment Hits Decade High*. KPMG. January 15, 2018.

26 *Bain & Company's Private Equity Report 2018*. Report. February 26, 2018.

## The predominance of private equity

**The OIC region was the main focus of disclosed private equity investments into the Islamic economy by value, with the larger deals setting a case study for food industry development.**

Eleven investments were identified in halal food in OIC-based targets, totalling US\$563 million, the largest by far of which was BRF's joint investment, together with Qatar Investment Authority, in Turkey's leading poultry supplier, Banvit. Mitsubishi's investment in Al Islami Foods further shows the strong multinational investment appetite for driving OIC-based production in halal food.

Food security and diversification is a common theme running through many of the largest OIC-based investments, notably in Oman, Jordan and Kuwait, where a combined US\$86 million was invested directly, across four transactions, by local investment firms in domestic meat producers and food processors.

*While deal activity is comparatively low, the transactions that show how public investment funds can drive economic*

*diversification and the creation of Islamic economy leaders, either through supporting multinationals or providing funds to local investment firms.*

**The level of activity in non-OIC countries, however, shows the growing interest in the halal food trade, especially from China.**

China has placed significant effort in developing its halal food industry, with US\$47.8 million in disclosed investments across four transactions in food processing companies, with substantial involvement from regional governmental investment funds, supporting China's broader Halal industry.

There have been promising investments in the UK, the US and France, where there are sizeable Muslim populations, with US\$37 million in investment across two disclosed transactions, and two investments in France where values were not disclosed. *There has been limited investment from the OIC region in rapidly growing and innovative producers in non-OIC countries. We believe that such cross-border investments are imminent and will transform the halal food industry.*

### BREAKDOWN OF PRIVATE EQUITY INVESTMENTS, 2015-2018<sup>27</sup>

TARGET	DESCRIPTION	DEAL SIZE, US\$ MILLION	PRIVATE EQUITY INVESTOR
<b>Banvit (Turkey)</b>	Poultry supplier	470.0	Qatar Investment Authority (supporting BRF)
<b>A'Saffaa Foods (Oman)</b>	Poultry supplier	63.3	Zulal Investment Company (Oman)
<b>Wuhui Shuanghui Food (China)</b>	Processed food	32.8	Henan Shuinghui Investment and Development Co (China)
<b>Janan Halal Meats (UK)</b>	Beef supplier	30.5	Kingsley Capital, ESO Capital Partners (UK)
<b>Siniora Foods (Jordan)</b>	Processed food	15.8	Aswaq Investment Co (Jordan)
<b>Remaining 12 deals with disclosed value</b>		45.5	

<sup>27</sup> Curated primarily based on Zephyr, CB Insights, Crunchbase.

## The encouraging role of venture capital

**Understandably, the majority of venture investments were in specialised digital services addressing Muslim values, with halal travel proving its viability strongly.**

US\$78 million of disclosed venture capital investments made were in digital Islamic economy services. 28 investments were identified, of which 16 were disclosed, averaging US\$5 million per investment.

Travel captured significant attention among investors, with HolidayME raising an impressive US\$33 million from multiple institutional investors. *While direct investment in purely halal-travel-focused platforms was low, at US\$1.9 million, we anticipate investment activity increasing as awareness of halal travel increases, especially with steps taken to encourage greater tourism in Saudi Arabia.*

The diversity of investments, however, across all sectors, was very promising, especially with sizeable investments in The Modist and Wahed Invest from established venture firms in Europe and the US. Furthermore, the eight-figure investment attracted by Muslim Pro was an important exit for digital applications. *We anticipate greater interest in digital Islamic economy platforms in particular from corporate venture arms as well as investors from Southeast Asia, building off the success stories to date.*

**Angel investments have played an important role in plugging the gap for emerging solutions.** There were a total of 13 angel investments totalling US\$5.7 million, with an average value of US\$436 thousand, the largest of which was US\$1.8 million invested by individuals in Rex Industry, a leading food processor in Malaysia.

### BREAKDOWN OF VENTURE CAPITAL INVESTMENTS BY SECTOR<sup>28</sup>

SECTOR	TOTAL DISCLOSED INVESTMENT, US\$ MILLION	TOP TARGET	INVESTMENTS RECEIVED	INVESTORS
Halal Travel	40.4	HolidayME	US\$33 million (three rounds)	Accel Partners, F&C Overseas Investment, Al Sanie Group
Modest Fashion	23.3	The Modist	US\$15 million	Vaultier7
Islamic FinTech	12.6	Wahed Invest	US\$12 million (over two rounds)	Cue Ball Capital, BECO Capital, Other Institutional Investors, Individual investors
Halal Products	3.2	Ningxia Yijiyi Agriculture and Livestock	US\$3.2 million	Nigxia Halal Industry Venture Capital
Halal Media	2.3	Falafel games	US\$2.3 million	FJ Labs, Hambro Perks, Y Combinator
<b>Total</b>	<b>81.7</b>			

<sup>28</sup> Curated primarily based on Zephyr, CB Insights, Crunchbase.

## Roadmap

Investment activity in the Islamic economy is crucial to the sector, not only creating multi-billion-dollar companies but it will also play a significant role in diversifying the economies of OIC countries.



### 1. Sovereign wealth funds have a critical, trillion-dollar role to play

The top 20 sovereign wealth funds in the OIC region had assets totalling US\$3.2 trillion as of June 2018 and can play a transformational role in creating new multinational entities addressing the halal products and Islamic economy opportunities.

Sovereign wealth funds, in particular in the GCC, have already played an important role in developing scaled domestic food entities

Creating a dedicated proposition that focuses on halal food is an important step for sovereign wealth funds, and one that will drive a broader investment ecosystem.

### 2. Private equity investors looking for the next frontier should consider the Muslim demographic

With a record amount of ‘dry powder’ or unutilised capital, estimated at US\$1.7 trillion<sup>29</sup>, private equity firms should direct their attention to Islamic economy opportunities, OIC-based sovereign wealth funds are a natural source of additional capital.

Following increasing activity by venture firms, as well as investments by private equity firms, there will be a steady stream of mid-sized firms. Developing a robust hypothesis that captures the broader Islamic economy can enable an aggressive identification of private firms that are very attractive targets, of which there are many, especially in the US and the UK.

### 3. Islamic economy companies need to look broadly for investors to get to an ‘investable’ state

The Islamic economy remains dominated by small and medium enterprises that have much promise but are not big enough yet. As such, angel investors and micro-investment options, such as crowdfunding platforms, should be a first step to obtaining critical funding. The emergence of accelerators and startup foundries are an important development for the industry — notably the launch of Goodforce Labs in Dubai, as well as other platforms, such as Affinis Labs.

<sup>29</sup> Bain & Company's Private Equity Report 2018. Report. February 26, 2018.



## Article

**Houssam Chahine**

Head of Private Sector Partnerships, MENA  
UNHCR



**Houssam Chahine** has more than 20 years of experience in partnership building, stakeholder relationship management and business development in both the not-for-profit and governmental sectors. Specialized in advocacy and fundraising campaigns for refugees, stakeholder engagement, strategic planning, and donor management, Houssam launched new business development and fundraising programs, in international and local institutions such as Greenpeace, Abu Dhabi Environment Agency, and UNHCR.

Since 2011, Houssam has been leading private sector partnerships for UNHCR in the MENA region. This includes overlooking the development of UNHCR's Islamic Philanthropy strategy, largely realized through UNHCR's global Zakat Initiative, and partnerships with Islamic financial institutions, in addition to family foundations in the region.

## With Zakat, Muslims have the power to change the world

Today UNHCR, the United Nations Refugee Agency, faces an unprecedented challenge. At a time when the world is struggling with refugee crises on an unprecedented scale, the agency, which for nearly 70 years has been assisting refugees throughout the world, regardless of the background of their plight, is itself struggling to overcome a funding crisis that threatens its capability to adequately help the world's most vulnerable displaced communities.

Part of the problem may be one of perception: as a UN body, UNHCR is not always seen as a fundraising organisation in the same way as major international NGOs and charities. Rather, many people tend to believe that paying for UNHCR and its refugee protection mandate should be the responsibility of governments.

This is true to an extent: UNHCR receives 87% of its funding from governments, the bulk of this given voluntarily, and more than 10% comes from private donations. However due to the sheer number of refugee emergencies, this funding doesn't cover the organization's work in assisting refugees. In 2018, that shortfall amounted to US\$4.5 billion. To put that in perspective, it's the amount needed

to help more than 2 million refugees through UNHCR's cash assistance programme, a lifeline for refugees and IDPs in several countries such as Jordan, Lebanon, Iraq, Egypt, Somalia and Afghanistan.

If we are to help the most vulnerable refugee families, we need to close that shortfall through alternative sources of funding, including donations from the public and companies. The good news is that UNHCR has lately witnessed a noticeable increase in 'democratized' funding, with people and businesses of different capacities and sectors coming together to form a global movement to help not only refugees and IDPs, but host communities as well.

This is precisely where the Islamic world can come in. A world that has been, for centuries, demonstrating sustainable giving in the forms of Zakat, Sadaqah, and Waqf. The foreign aid contributions of Gulf States are already having a significant impact; but it is the billions donated by ordinary Muslims in alms and charity every year, that has the power to completely transform the global aid landscape. IDB's research on Zakat in 2015 conservatively estimates between US\$232 billion and US\$560 billion circulating annually.





The success of [UNHCR's] Zakat Programme shows the massive potential of the world's Muslims in tackling challenges such as the global refugee crisis that largely affects Muslim communities.

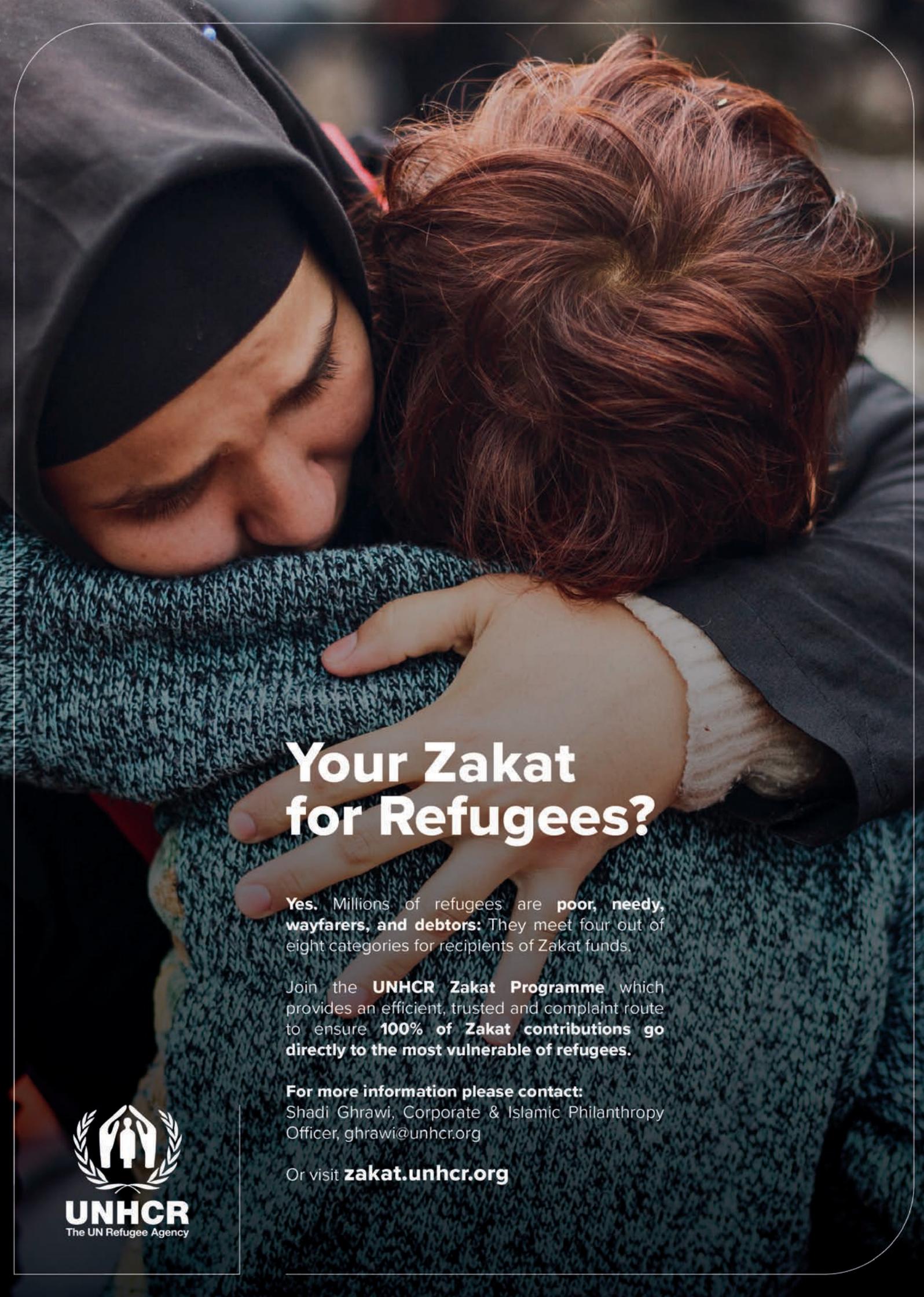


It is an unfortunate fact that many Muslim countries have been hit hard by a global refugee crisis forcing millions of people from their homes. After seven years of fighting, Syria is struggling with 6 million IDPs; its neighbors are tasked with looking after 5 million Syrians who have crossed the borders. In Africa, in the arid Sahel, conflicts have forced tens of thousands from their land. Afghanistan still struggles with the legacy of constant conflict for a generation, and in Bangladesh some 700,000 Rohingya Muslims have sought refuge from persecution in the Rakhine province of Myanmar. Altogether, there are 68.5 million forcibly displaced people in the world, a figure that includes 40 million IDPs, 25.4 million refugees and 3.1 million asylum seekers.

At UNHCR we believe it is a shared responsibility for all of us to respond to the burgeoning humanitarian needs. We believe Zakat is a potential game changer in addressing challenges the Muslim communities face, and showing the world that Muslims are in solidarity with their refugee brothers and sisters, especially when this pressing matter transcends their borders. The Quran is clear on who receives Zakat, listing eight categories of eligible recipients. Refugees fall under at least four of these categories: the poor, the needy, the debtors and the wayfarers.

Through its Zakat Programme, UNHCR is the first agency of its type to provide an efficient and trusted route for people to fulfil Zakat obligations. By implementing an innovative cash assistance programme, 100% of Zakat contributions go directly to the people most in need: refugees. Amid controversies over some charities and aspects of charitable giving, UNHCR provides complete peace of mind: our Zakat Programme is subject to rigorous governance and oversight, ensuring transparency throughout the whole process. The UNHCR Zakat Programme is fully Shariah-compliant; it is backed by *fatwas* from five respected scholars and institutions.

In providing a fast, discreet and safe way for people to donate their Zakat, through digital payments and bank transfers, UNHCR is bringing Zakat provision into the modern era, and indicating that Muslims have the capability to address some of the most serious issues challenging the Islamic world. We are extremely proud and thankful for this opportunity that we have been given by the global Muslim community, to be able to utilize much needed Zakat funding for the most vulnerable and eligible refugees families. ■



# Your Zakat for Refugees?

**Yes.** Millions of refugees are **poor, needy, wayfarers, and debtors:** They meet four out of eight categories for recipients of Zakat funds.

Join the **UNHCR Zakat Programme** which provides an efficient, trusted and complaint route to ensure **100% of Zakat contributions go directly to the most vulnerable of refugees.**

**For more information please contact:**  
Shadi Ghrawi, Corporate & Islamic Philanthropy  
Officer, [ghrawi@unhcr.org](mailto:ghrawi@unhcr.org)

Or visit [zakat.unhcr.org](http://zakat.unhcr.org)



**UNHCR**  
The UN Refugee Agency

# Halal Food





# Summary



**W**hen it comes to food, no OIC country is wholesome in Halal - completely halal-sourced and certified. The food production chain has become so incredibly diversified, with ingredients sourced from all over the world, that many components are not halal certified, even if not actually haram (prohibited).

With 1.8 billion Muslims, around one-quarter of the world's population, there is substantial potential to produce halal foods and beverages (F&B).

The opportunity has been seized upon to differing degrees across the planet, by Muslim and non-Muslim companies alike. In fact, some of the most prominent halal food brands and producers are in non-Muslim countries, such as the USA, Great Britain and China, while OIC countries have also joined the fray to tap into local demand and to export.

Moves are underway to create that 'kulu halal' ecosystem, which in line with the globalisation of food production is having a global knock-on effect. Saudi Arabia, for example, has toughened requirements for halal, which threatens Brazil's ability to export meat to its largest export market in the Middle East. Meanwhile, Indonesia is planning to implement mandatory halal certification by 2019, although is struggling to put the process in place precisely because so much food and other products are globally sourced.

While regulation of the industry is falling behind international best practice, a number of initiatives have been launched in OIC countries that should raise overall standards. Malaysia has launched an International Halal Authority Board (IHAB) to oversee and regulate certification bodies as well as prohibit profit-seeking behaviour, and Turkey has established the Halal Accreditation Authority.

The UAE's International Halal Accreditation Forum (IHAF) continues to gain ground, with members from Spain to Kyrgyzstan, and Jordan to the Philippines. Key to IHAF's success, and the wider halal ecosystem, will be Malaysia's IHAB becoming a signatory.

Multinational food producers continue to get halal certification, signalling the sector's broader viability, from Haribo candy to Nestle, to Saudi Arabia's Savola Group, while in 2018, Japan's Mitsubishi Corporation acquired a minority stake in the UAE's Al Islami Foods.

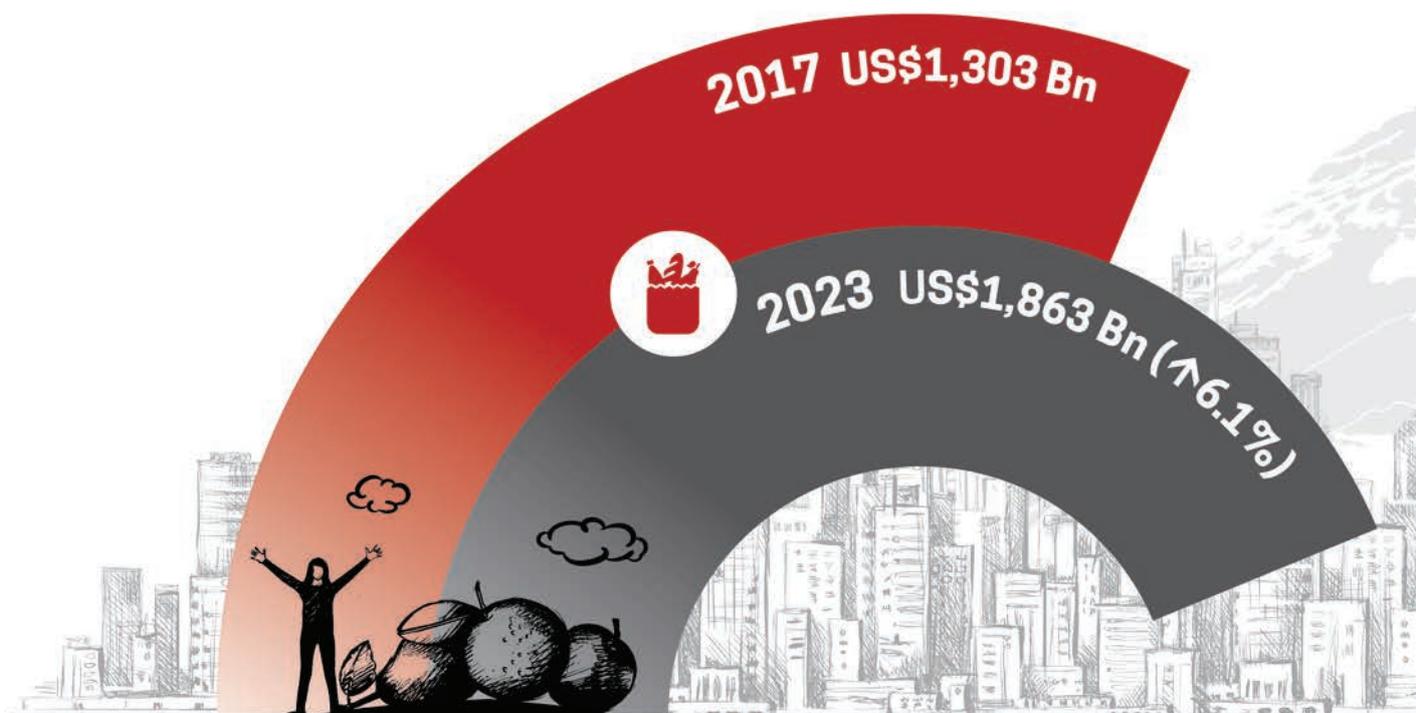
Halal food is also becoming popular because it is perceived as being trustworthy, notably in China, which has been rocked by numerous food scandals in recent years. Despite China having a tiny Muslim population, the bulk of production is for domestic production. The country is, however, gearing up to be a major halal food exporter. In the provinces of Xinjiang, Gansu, Xian and Lanzhou alone, there are some 5,000 halal food companies.

Yet while there have been mergers, acquisitions and IPOs in the segment, halal food still remains an unrealised opportunity. Muslim spend on food and beverage was valued at US\$1.3 trillion in 2017, and forecast to reach US\$1.9 trillion by 2023.



# Halal Food

## Total Halal Food Market Spending



### Key Drivers Today

1

**Notable Islamic Economy Investments in Halal Food**



**US\$667 Mn**

2

**Significant Trade in Halal Food**

EXPORTS  
(Thousands)



**US\$124,754,129**

IMPORTS  
(Thousands)



**US\$191,530,990**

#### OIC HALAL FOOD IMPORTS BREAKDOWN (Thousands)



Vegetable Products  
**US\$92,457,900**



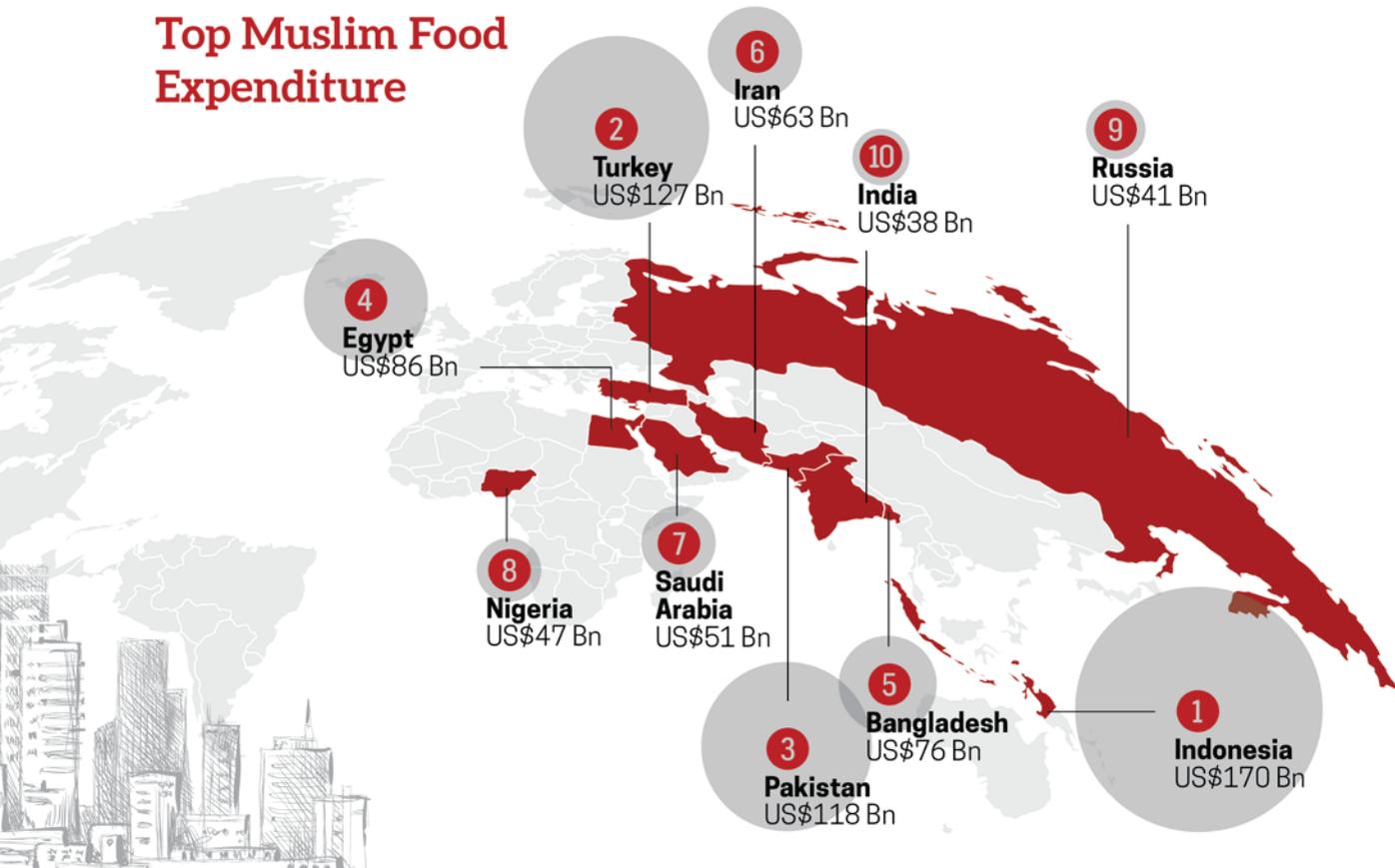
Food Processing Inputs  
**US\$63,203,938**



Meat and Live Animals  
**US\$35,869,152**

by Islamic countries (OIC\*) 2017

## Top Muslim Food Expenditure



## Future Enablers

### 1 How Technologies Impact Halal Food Industry

-  Connectivity backbone 

---

  -  Computation, decision & automation 

---

  -  Power, matter & space 

---

  -  The body 
- High Impact   
 ● Moderate   
 ● Limited

### 2 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:



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# Key Developments in 2017/18

The halal food trade opportunity is alluring, however, much movement in the leader board of exporters is anticipated, with China, Philippines and Canada all making important moves

Numerous product categories are ripe for exploration in the halal food industry, notably organic products

- Organic food is gaining substantial traction in Saudi Arabia, with 33 per cent of consumers purchasing more organic products over the last 12 months according a survey by Arla, which bodes well for halal organic food producers, such as Saffron Roads<sup>1</sup>
- There is a halal mozzarella boom in Italy, with annual production reaching over 10 million kilos by end of 2016, and with one in 10 mozzarellas destined for OIC countries, the UAE is a top destination<sup>2</sup>
- There is substantial opportunity for halal sweets, as evidenced by Haribo's opening a halal sweet shop in the UK<sup>3</sup>

The halal food export opportunity, in the backdrop of US\$191.5 billion in food and beverage imports by OIC countries in 2017, is attracting new contenders that can assume a strong export leadership position, with China leading the charge

- China is staking its claim in the international halal food trade opportunity, investing AED1.35 billion in the Dubai Food Park, a specialised food industrial cluster<sup>4</sup>
- Two leading poultry producers in Canada, Sargent Farms of Ontario and Boire & Frères Inc. of Quebec, have invested US\$10 million to enhance their halal processing capabilities<sup>5</sup>
- Kyrgyzstan has sought to participate in the halal food export opportunity, as a first step, introducing voluntary halal certification program for local producers<sup>6</sup>
- The Philippines is seeking to gain a substantial share of the halal export opportunity, after the Development Promotion Board accepted the requirements of the Halal Export and Development Act 2016, and with the local development of the Asian Halal Center, a 100-hectare halal processing facility to house producers<sup>7</sup>

Malaysia and the UAE, however, seek to cement their central role in the halal food industry, and are beginning to work together to set up a halal corridor

- Malaysia has sought to allocate RM1 billion for a Halal Development Fund<sup>8</sup>
- Malaysia is extending its halal certification services to China to oversee local companies, Xinjiang, Gansu, Xian and Lanzhou, where 5,000 companies are said to be producing halal<sup>9</sup>
- The UAE has for the first time quantified the size and scale of its halal economy, estimating the Islamic economy at 8.3 per cent of GDP<sup>10</sup>
- Malaysia has officially recognised the UAE's Halal Product Control System — which comprises the national certificates and halal logos — facilitating the export of products into Malaysia, as well as the 60 countries that accept Malaysia's certification system<sup>11</sup>

However, some of the leaders in halal food exports in recent years are experiencing challenges, opening up opportunities for newer contenders

- Australia's export of live animals, a US\$2 billion industry, is being challenged via a private member's bill<sup>12</sup>
- BRF Brazil is seeking to revise its halal food credentials after a challenging year for the industry post scandal, re-opening its halal processing plant in Goiás state, but has struggled overall with its plans for dominance in the industry, putting off its IPO for One Foods<sup>13</sup>
- Saudi Arabia has a natural advantage in the halal food industry — one that it realizes through its plans to become the centre of halal food trade globally<sup>14</sup>
- Saudi Arabia has toughened requirements for halal, threatening Brazil's ability to export to its largest export market in the Middle East<sup>15</sup>

**Halal food is an attractive prospect for investors, but still an unrealised opportunity.** M&A and investment activity is still just a trickle

- The Savola Group has acquired 51 per cent of Al Kabeer, a frozen food company with operations across the GCC<sup>16</sup>
- Malaysia's largest QSR operator, QSR Brands, is seeking a US\$500 million IPO<sup>17</sup>

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Please refer to endnotes for citations.



- One World Foods, a Canadian producer of ethnic and halal foods, has secured an equity investment from District Venture Capital<sup>18</sup>
- UK-based halal baby food manufacturer, For Aisha, has secured funding through the UK's Enterprise Guarantee Scheme<sup>19</sup>
- Al Islami Foods has sold a minority stake to Mitsubishi Corporation<sup>20</sup>
- Perwyn Private Equity acquired European halal food brand, Isla Delice<sup>21</sup>

**The regulation of the industry continues to fall behind best practices, let's hope the progress made continues**

- The International Halal Authority Board (IHAB), a Malaysian initiative, was launched, seeking to oversee certification bodies and regulate their activity and prohibit profit-seeking behaviour<sup>22</sup>

- The International Halal Accreditation Forum (IHAF), a ground-breaking UAE initiative, continues to gain ground, with 25 members, but its coordination with Malaysia's IHAB is unclear and the halal food industry awaits IHAB becoming a signatory with IHAF, which will be a key milestone<sup>23</sup>
- Turkey has established the Halal Accreditation Authority (HAK), providing a clear route to export for local producers, the establishment of accreditation bodies around the world in key exporting markets will be a key step towards harmonised regulation<sup>24</sup>
- The prevalence of high-tech 'clean' meat that develop meat products from animal cells, without slaughter, presents a challenge for halal certifiers that needs to be urgently addressed<sup>25</sup>



# Opportunity



**The private equity backed unicorn:** Halal food will give birth to a new billion-dollar revenue company by 2030



## ECONOMIC IMPACT

**Market share capture by younger, high growth companies**

A new **US\$1 billion+** revenue halal company will be created by 2030

Today, that company has less than US\$100 million in revenues



The halal food industry has a lot to offer private equity... The firms that are ahead of the curve, will benefit most from the halal food industry as the first mover advantage will create instant market leaders.

– Imran Kauser, Managing Director, Haloodies



**The core opportunity is about halal newcomers challenging today's global leaders in the food and beverage industry.**

The halal food industry is set for rapid growth and could exceed a US\$1 trillion industry by 2020, it will give rise to new companies challenging existing multinationals for market share

- **Today's leaders have developed substantial halal propositions:** Numerous multinationals, such as Nestle and KFC, and OIC conglomerates, namely Savola Group and Indofoods, are already addressing the opportunity
- **The new 'agile' contenders:** Relative newcomers in North America and Europe, have emerged, astute to the evolving needs of Muslim consumers. This could result in the creation of new, scaled enterprises, providing there is the right financial and strategic support from the private equity industry and can challenge today's leaders

### EXHIBIT: MULTI-BILLION-DOLLAR REVENUE FOOD COMPANIES WITH SUBSTANTIAL HALAL PROPOSITIONS

	NON-OIC			OIC	
MEAT					
PROCESSED FOOD					
RETAIL					

**The pieces are in place for private equity to make a sea change.** It will take one large investment of an attractive asset to make halal food a sought-after investment proposition

Organic growth experienced by halal food companies is difficult to ignore: There are a robust list of halal food participants that have already, or are close to surpassing US\$100 million in revenues, in particular in North America, including Saffron Roads, the Halal Guys, Crescent Foods



Food is a very attractive sector for investors and the number of investors focused on the food and beverage sector has more than tripled since 2013, jumping to over 450 global investors in 2017<sup>26</sup>

Deals in halal food have been extremely limited to date: however, the involvement of established investors, spanning Abraaj, Kingsley Capital and Mitsubishi, is an important validation of the halal food opportunity

**The roadmap for investors to realise substantial returns in halal food involves developing a flexible approach to engagement and charting an aggressive organic and buy-and-build growth strategy**



### 1. Firstly, PE firms need the right mindset...

- **Sign off on the opportunity:** Firms need to first understand and validate the global halal opportunity, which is a distinct high growth opportunity within the food and nutrition industry — this will streamline commercial due-diligence efforts across multiple opportunities
- **Develop a values-based approach:** Successful engagement with entrepreneurs requires a solid understanding of their pain points and their experience to date — many of them are unfamiliar with institutional investment and expect a shariah-compliant investment structure, a leveraged acquisition would be highly unappealing
- **Be prepared to roll up your sleeves and hold on:** Investors should have a strong value-creation mindset, with the willingness to enhance the management team and upgrade the companies they acquire, and be prepared for a longer, 10-year investment horizon

### 2. ...Then it's important to get the right team together

- **Bring in the right strategic and operational advisors:** Across multinationals and high growth companies, there is a multitude of expertise in growing halal food propositions well, spanning sales, export, marketing and operations
- **Enhance functional capabilities:** Many attractive investment opportunities within halal food are at earlier stages and would need to ramp up their back-office capabilities

— accounting, simple steps that can enhance visibility and improve their execution

### 3. ... and to chart aggressive avenues to growth

- **Organic growth focused on high quality, not just halal:** There is an exciting trade-oriented growth strategy, exporting to Muslim-majority countries, but there are opportunities to address related ethical markets, including organic and all-natural foods, the latter, in particular, has been a key growth contributor to Saffron Roads
- **Identify the market gaps:** There are substantial gaps, underserved in the halal food industry today — spanning ingredients, baby food, meat snacks and on the tech side, food and meal kit delivery
- **Inorganic growth:** Be on the lookout for acquisitions — there is an active startup ecosystem servicing halal food, spanning meal kit delivery, restaurant booking, organic burgers ripe for a buy-and-build strategy
- **Think at a 10-X level:** Even after organic and acquisition-based growth, the halal food leaders of tomorrow will need to be nimble, innovative organisations, think about creating an in-house venture arm

# Spreading Our Wings Without Limiting Our Challenges

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# Challenge



**Costly certification:** The lack of global alignment on certification increases costs and can destroy value

**Halal certification is a necessary operational step to addressing Muslim needs, but remains a challenging, complex process**

**Lack of global alignment:** Halal falls below global best practices due to a lack of commonly accepted standards among certification bodies globally, oftentimes resulting in duplicate certification costs and added complexity

**Limited oversight:** There are over 300 officially recognised certifiers globally, but there remains limited oversight by impartial accreditation bodies, leaving substantial room for misrepresentation<sup>27</sup>

**The regulatory evolution in comparable food industries highlights a very clear path for halal to become a leading global standard**

The kosher industry went through an upheaval, with an alignment among 300 certifiers in the US under the Association of Kashrus Organizations, eliminating rampant fraud in the industry<sup>28</sup>

Global Food Safety had a misaligned regulatory structure, which was addressed through the creation of a common regulatory framework based on the Codex Alimentarius<sup>29</sup>

Furthermore, halal food has taken important albeit very preliminary steps with the setup of the Accreditation Forums in the UAE and Malaysia

**The roadmap requires a global concerted effort to upgrade halal certification**



**1. Create a mutual framework, rationalizing existing standards:** Standards should vary due to differing schools of thought with differences on stunning and machine slaughter, although alignment is likely on other broad non-meat food categories. A robust discussion, based on credible and thorough independent research, can achieve a critical alignment across the industry

**2. Create a globally accepted regulatory structure:** Formalizing the current halal accreditation structure requires having a single body that houses regulators from all Muslim and non-Muslim countries and that is a signatory to IAF

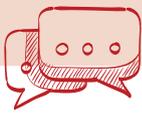
**3. Create obligation and awareness:** Certifiers should be compelled to sign up to the new accreditation program, with those opting out naturally in a weaker position to oversee industry participants, substantiated with a broad consumer engagement and awareness program



Certification remains a major challenge for the industry and one that must be addressed.

-Syed Ali, CEO, Riz Global Foods





# Interview

**Kamal Vachani**  
Group Director  
Al Maya Group, Dubai, U.A.E.



**Kamal Vachani** is Group Director of Al Maya Group, a leading business conglomerate in the UAE, with diversified operations ranging from retail stores (over 50 supermarkets / hypermarkets), fast-moving consumer goods (FMCG) distribution in the GCC, and franchisee operations (Borders bookstores, Paperchase).

Mr. Vachani is also the Regional Director of the Electronics and Computer Software Export Promotion Council (ESC), for the UAE and the Middle East. ESC is one of India's most dynamic premier trade promotion organizations sponsored by the government of India, and mandated to promote India's electronics and information technology exports to global markets. He also held the post of Regional Representative of the Toys Association of India — which was under the umbrella of ESC — for over three years.

Previously, Mr. Vachani was the Regional Representative of the Federation of Indian Exports Organizations (FIEO) for the UAE and the Middle East. Mr. Vachani is also Chairman (for the Dubai Chapter) of the Global Organization of People of Indian Origin (GOPIO).

## **Muslim consumer spending has reached \$2 trillion across various sectors. How do you think this will impact the growth outlook and projections for the Islamic economy and Halal food in particular?**

An ever increasing Muslim consumer spending complements the Islamic economy landscape as it provides an unprecedented growth opportunity for brands, businesses and institutions. Islamic finance apart, sectors such as halal food and beverages, Muslim-friendly travel, modest fashion and halal media are contributing to the growth of Islamic economy by fostering innovation, entrepreneurship and responsible investment across the spectrum. A good example to note is the Islamic economy generating 8.3 percent of Dubai's GDP, registering a growth rate of 14 percent.

The world is experiencing a paradigm shift in consumer demand, with a significantly higher number of Muslims spending on halal products and services year after year. Halal food undoubtedly is one of the biggest sectors of the Islamic economy and it can only get bigger as the population and consumer spending increases. Muslims are increasingly expecting more businesses to cater to their needs and millennials are asserting their values online.

We at Al Maya Supermarkets have been in the region for the past three decades and always strive to comply with the halal landscape and government regulation, including, but not limited to, boosting the Islamic economy in various sectors. We are opening new retail outlets in new developed districts to provide consumers with essential halal foods products.

## **Al Maya Group's mission is to be a leading domestic brand with a strong international reach. Which markets are you looking to expand into in the next two-to-three years? Are you considering any markets outside the MENA region?**

Al Maya Group is one of the leading business conglomerates based in Dubai. It was established in 1982. Our group's core business consists of food and non-food products, fast-moving consumer goods (FMCG) distribution, supermarkets and lifestyle retail. We are one of the leading supermarket chains in the UAE and have a sizeable share of the UAE retail market. We have over 55 supermarkets in the UAE and in the GCC.

In terms of expansion plans, at present we are concentrating to expand in the MENA region only. We are planning to open more supermarkets in the next two-to-three years in the UAE and the GCC.

We have invested substantially towards infrastructure development by having state-of-the-art warehousing facilities in all our locations and ensuring timely delivery of goods to customers across the region. We have also invested substantially towards information technology by having the latest mobile sales force automation (mSFA) system for our sales team.

Over the years Al Maya Group has been recognized as a preferred and trusted business partner by its associates. Our vision is to offer the best fast-moving consumer goods products to consumers.

**Al Maya Group aims to achieve and maintain a 'best-in-class' supply chain. How have you been able to achieve supply chain excellence in regards to the halal products that you offer?**

Al Maya group has invested substantially in its supply chain operation. We have state-of-the-art ISO 22000:2005 and HACCP certified distribution facilities. Recently we have implemented a warehouse management system to further improve efficiency and services to our customers. In addition, we are building a world class supply chain and distribution facilities at Technopark, having close proximity to Al Maqtoum Airport and Jebel Ali Port. Our modern systems and competent supply chain team ensures service excellence for halal products at our side.

**Tell us more about the recent UAE trade mission to Vietnam that Al Maya was part of. Bilateral trade between both countries is valued at \$9 billion. What are the opportunities that you foresee boosting Islamic Economy trade between both countries, and how Al Maya can play a role in this?**

Recently a large delegation of Al Maya group, comprising of the senior management team from the UAE and other GCC countries, visited Vietnam to further explore business opportunities. The delegation was welcomed by senior government officials of Vietnam, and assured of all the assistance to improve the business relationship. Al Maya group is currently importing jasmine rice and dairy products from the leading companies of Vietnam. Also during the visit, we got an opportunity to meet senior officials of leading companies originating from Vietnam. We see a great opportunity to further increase the business. ■



The world is experiencing a paradigm shift in consumer demand, with a significantly higher number of Muslims spending on halal products and services year after year.



# Islamic Finance



# Summary

**W**ith global assets of well over US\$2 trillion, Islamic finance is becoming a force to be reckoned with, particularly in the Islamic financial hubs of the GCC, Malaysia and London.

The sector is successfully emphasizing its shariah-based foundations that assert Islamic principles to attract new clients, both Muslims and non-Muslims, who are looking for more ethical ways to bank and finance projects.

Indicative of the sector's growth is that Islamic banking penetration in the GCC has increased from 31 per cent in 2008 to 45 per cent in 2017, with non-resident deposits in UAE Islamic banks increasing by US\$1.14 billion in 2018 alone.

The importance of Islamic finance in Malaysia was fully cemented in 2017, with the headline news of Islamic finance overtaking conventional loans as the growth driver for the domestic banking system, with a 71 per cent increase last year.

Yet while the traditional Islamic finance hubs continue to grow, including in the UK, which has the largest Islamic finance industry in the OECD, there is emerging competition from newer players, notably Indonesia and Pakistan, while the governments of Australia and Uganda want to bolster the sector.

Muslim-majority Central Asian countries Tajikistan and Uzbekistan are also waking up to the potential of Islamic finance, with new regulations implemented to develop the sector.

While Islamic finance has not kept pace with the conventional banking sector's adoption of technology, change is nonetheless afoot through the heightened adoption of digital banking and FinTech.

The UK continues to be a leader in this regard, launching an Islamic FinTech Panel while the Islamic Development Bank is implementing blockchain technology to develop shariah-compliant products to support financial inclusion.

Digitisation of financial services and payments continues to be adopted, notably in the GCC, with Bahrain striving to be a leading financial centre through a new partnership between the Bahrain Islamic Bank and Bahrain FinTech Bay, and the launch of the GCC's first shariah-compliant digital bank.

Investment platforms are equally being developed, often using blockchain, while venture capital firms and crowdfunding platforms are being utilised to raise capital. Mergers and acquisitions activity has continued, ensuring consolidation within the sector, and a number of sukuk have been issued, notably Dubai Islamic Bank listing the first dollar-denominated sukuk by a GCC issuer for US\$1 billion.

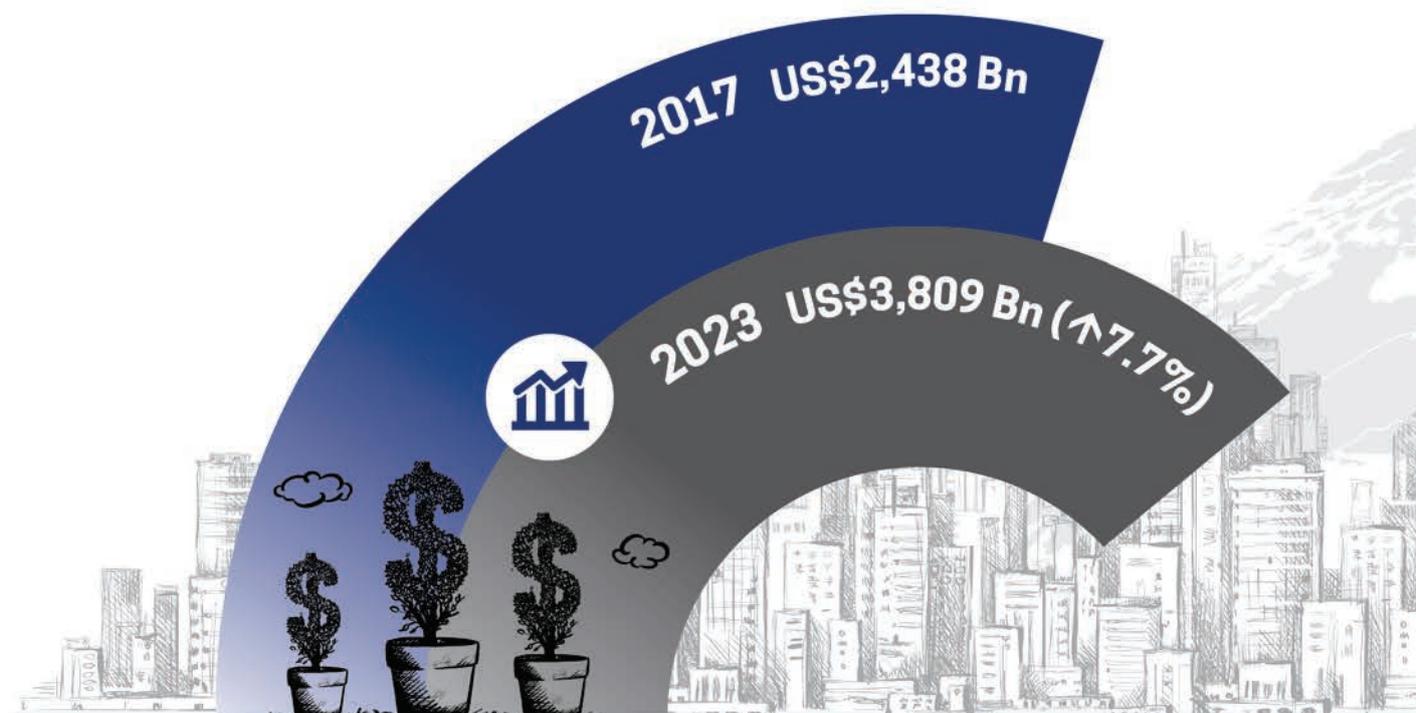
The development of Islamic insurance (*takaful*) and other financial products such as *murabahah* and *waqf* promises further growth in the overall Islamic finance segment.

The Islamic finance industry was estimated to be worth US\$2.4 trillion in 2017 and forecast to grow by 7.7 per cent CAGR to reach US\$3.8 trillion by 2023.

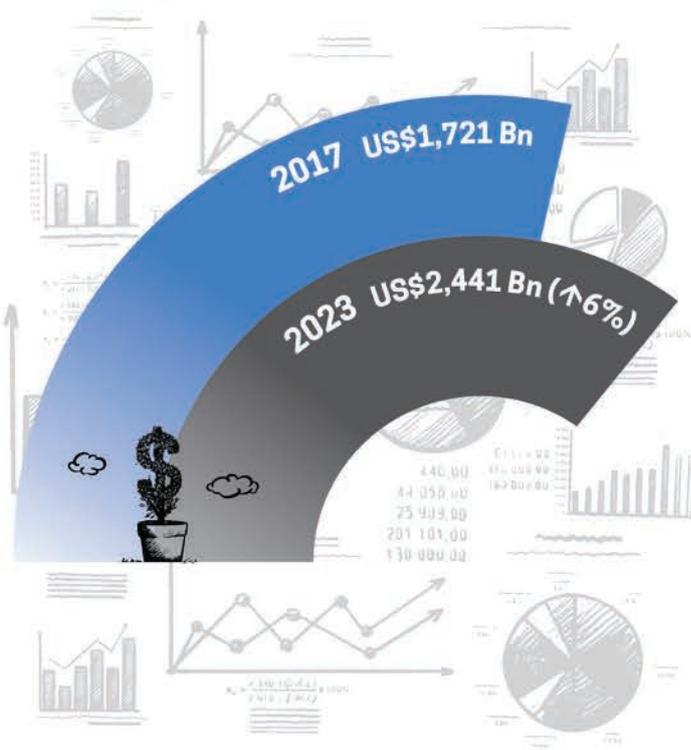


# Islamic Finance

## Total Islamic Finance Market



## Total Islamic Commercial Banking Market



## Key Drivers Today

Notable Islamic Economy  
Investments in Islamic Finance

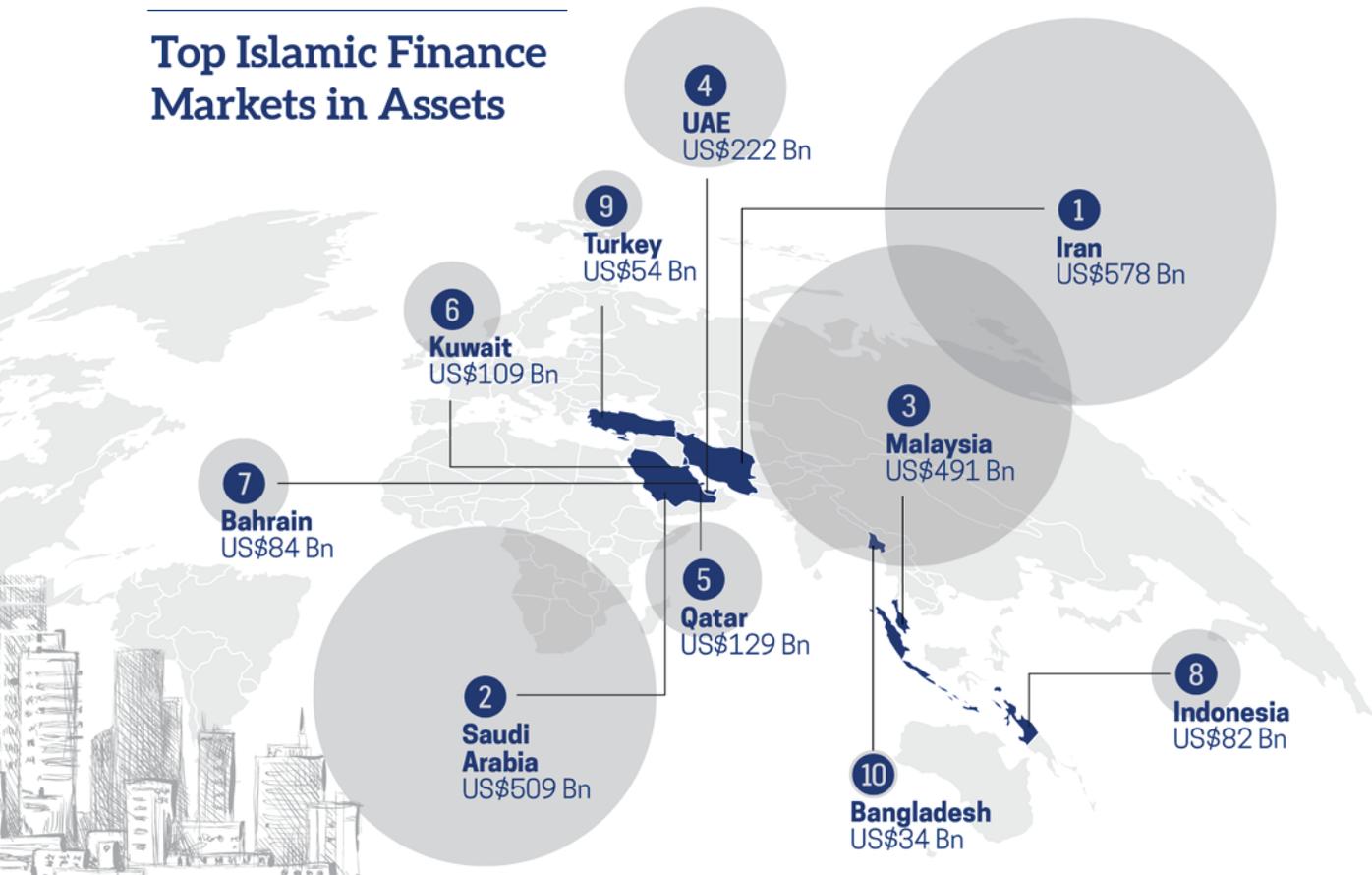


**US\$12.6 Mn**  
Islamic Fintech

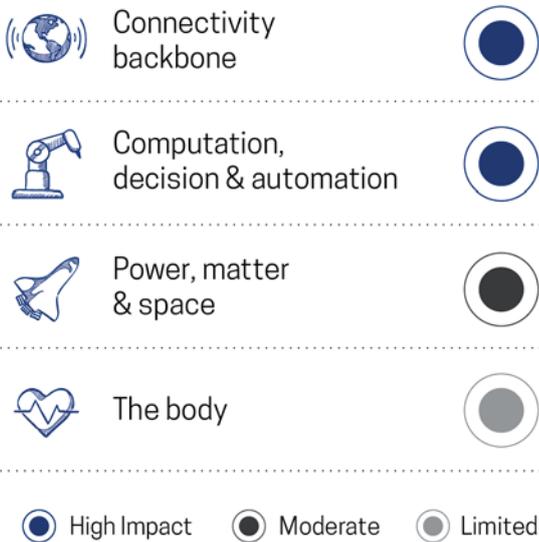
Disclosed private equity or venture capital investments, 2015-18



## Top Islamic Finance Markets in Assets



### 1 How Technologies Impact Islamic Finance Industry



### 2 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:



# Key Developments in 2017/18

There is increasing global government-led interest in Islamic finance which could see today's leading OIC-based centres facing strong competition

The GCC and Malaysia remain leading markets for Islamic finance with notable improvements in the penetration of Islamic finance into commercial and personal banking activity

- Islamic banking penetration in the GCC increases significantly from 31 per cent in 2008 to 45 per cent 2017<sup>30</sup>, with non-resident deposits in UAE Islamic banks increasing by US\$1.14 billion in 2018, bringing the total savings in shariah-compliant banks to US\$4.64 billion<sup>31</sup>
- In Malaysia, Islamic financing overtakes conventional loans as the growth driver for the domestic banking system accounting for 71 per cent of the increase in the banking system's financing in 2017<sup>32</sup>

However, Indonesia and the UK have real potential to challenge today's leading markets, with newer contenders, including Central Asia and Australia

- The Financial Services Authority of Indonesia launches a new Islamic finance roadmap aiming to create sustainable Islamic financial services that can compete with conventional services in Indonesia, helping penetration go beyond 5 per cent<sup>33</sup>
- The UK has the largest Islamic finance industry in the OECD, with potential to lead in the sukuk market<sup>34</sup>, with UK Islamic FinTech Panel launched in order to further develop Islamic Finance in the UK<sup>35</sup>
- Islamic banking and finance to take off in Tajikistan, firstly through the development of the regulatory aspects by the National Bank of Tajikistan<sup>36</sup>, with Uzbekistan similarly announcing plans to develop its Islamic finance sector.<sup>37</sup>
- Australian Islamic finance experiences positive growth with to continuous support from the industry<sup>38</sup> and Uganda will publish rules on offering interest-free banking products.<sup>39</sup>

**While global Islamic finance remains a fragmented industry, multinational entities slowly emerging, buoyed by positive growth, international alliances and M&A activity**

- Dubai Islamic Bank is making the GCC proud, listing a US\$1 billion sukuk and becoming the first benchmark dollar-denominated sukuk from a GCC issuer<sup>40</sup>

- Collaboration between Al Baraka Banking Group and the Bank of London & the Middle East (BLME) established to enhance investment opportunities and product offerings<sup>41</sup>

- KHF Kuwait plans to merge with Bahrain's Al Ahli Bank<sup>42</sup>
- KFH Kuwait aims to expand into new markets China and Egypt through buying an existing license to operate there<sup>43</sup>

**Islamic finance has been slow to adopt the rapid technological change that has shaped conventional banking, but recent developments are exciting, especially with the rapid emergence of Islamic FinTech**

Leading Islamic Banks are heeding the call to be digitally savvy, with launch of sophisticated products and a broader blockchain initiative developed by the Islamic Development Bank

- The Islamic Development Bank will implement blockchain technology in developing shariah-compliant products that aim to support efforts of financial inclusion<sup>44</sup>
- KFH Bahrain launches BenefitPay services for merchants, supporting the Bank's digitalisation drive towards a cashless society<sup>45</sup> as well as mobile app to manage credit cards<sup>46</sup>

The launch and funding success stories of Islamic FinTech startups are driving substantial innovation in Islamic finance, with Bahrain seeking to be the hub of innovation

- Bahrain Islamic Bank and Bahrain FinTech Bay enter into a new partnership aimed at making Bahrain as a leading Islamic financial centre and FinTech hub in the Arab world<sup>47</sup>
- Islamic P2P lender based in Indonesia to raise US\$10 million on new waqf platform that will be channelled to 23 waqf institutions under the umbrella of the country's national waqf organisation, BWI<sup>48</sup>
- Wahed Invest raises US\$7 million from venture capital firms Cue Ball Capital and BECO Capital to build their halal-focused investment platform<sup>49</sup>
- FinTech solutions provider based in Bahrain, Waqfe, launches its first digital banking platform<sup>50</sup>

Please refer to endnotes for citations.



Panoramic view of metro station and road in Financial district during overcast day, Dubai, UAE.

- Finterra based in Singapore develops new crowdfunding platform using blockchain to create smart contracts to be tied to specific waqf projects.<sup>51</sup>
- GCC's first shariah-compliant digital bank, Meem, launches in Bahrain by GIB<sup>52</sup>
- Islamic microfinance startups have begun accepting cryptocurrencies for zakat via the block chain, channelling funds to the Indonesian cooperative Baitul Maal Wat Tamwil (BMT)<sup>53</sup>
- Blossom Finance in Indonesia has launched a blockchain solution for SMEs to raise sukuk financing<sup>54</sup>

**There remains substantial white space for the industry to develop, in particular through a closer alignment to the UN's Sustainable Development Goals and broadening access to private equity**

- Shariah-compliant private equity investments to be boosted by Employee's Provident Fund (EPF) with 10 per cent allocation in real estate and infrastructure<sup>55</sup>
- SME and microfinance are an exciting frontier for Islamic finance, Indonesia to establish 10 new institutions in Islamic microfinance sector that are expected to empower communities and small businesses and generally improve public welfare<sup>56</sup>
- New financing structure for SMEs in Nigeria established between Jaiz Bank and ICD, the development arm of Islamic Development Bank<sup>57</sup>

**New regulations are in the pipeline to make Islamic finance easier to understand and address**

- Malaysia's Central Bank plans to launch a revised takaful operational framework that will bring greater clarity on using multiple shariah standards in the models and structures of takaful<sup>58</sup>
- The Central Bank of Bahrain is to launch compulsory risk regime for Islamic to measure and report Islamic banks' exposure to financial risk<sup>59</sup>
- Financial Accounting Standard No. 31 on Investment Agency launched by AAOIFI<sup>60</sup>
- IFSB develops detailed guidelines on safety sets in Islamic finance<sup>61</sup> and will make a new standard covering the regulation of shariah-compliant capital market products<sup>62</sup>
- US\$136 million of internal fraud discovered at Abu Dhabi's Al Hilal Bank poses a concern and an issue for regulators to oversee and address going forward<sup>63</sup>



# Opportunity



## Islamic Trade Finance: An under-addressed opportunity in a US\$12.5 trillion global industry



### ECONOMIC IMPACT

#### Islamic Trade Finance

#### US\$260 billion near-term potential

...if all intra-OIC trade covered by Islamic finance instruments



There is substantial room for growth in Islamic Trade Finance, which is currently under-represented.

– Syed Ali, CEO,  
Riz Global Export (TBC)



#### Islamic Trade Finance is a substantial, albeit under-addressed opportunity

- Global trade is an US\$12.3 trillion industry in 2016, representing 75 per cent of global trade<sup>64</sup>, with total intra-OIC trade at US\$250 billion in 2017, with US\$1.8 trillion in imports across the OIC<sup>65</sup>
- Despite substantial potential, the Islamic Trade Finance industry was estimated at only US\$186 billion in 2016, with substantial room for growth

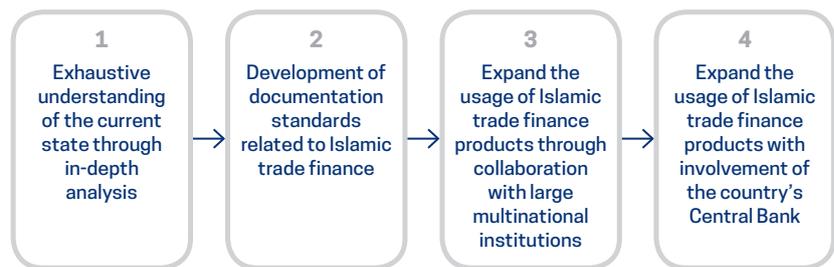
#### Despite some promising progress on product development, much more needs to be done

Limited structures have been used in Islamic trade finance products, with an over-reliance on Wakalah structures<sup>66</sup>

The Bankers Association for Finance and Trade (BAFT) and the International Islamic Financial Market (IIFM) are developing standard documentation for both Islamic-funded and unfunded trade finance deals<sup>67</sup>

Furthermore, the International Islamic Trade Finance Corporation (ITFC) will provide a grant to the University of Cambridge Institute for Sustainability Leadership (CISL) to establish a Sustainable Trade and Innovation Hub in Dubai<sup>68</sup>

#### The roadmap to realizing this opportunity requires the involvement of OIC governments, multinationals and government entities



- **Foment product development** through developing documentation standards related to Islamic trade finance, based on understanding the market opportunity and participant needs
- **Collaborate with large multinationals to expand the usage and marketing of Islamic trade finance products**, with a notable example being Dubai Islamic Bank's collaboration with Deutsche Bank to issue shariah-compliant letters of credit used in European trade.
- **Work with OIC governments and central banks to expand usage**, expanding trade and Islamic finance is a top priority for many OIC countries



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# Challenge



## Holistic & Robust Islamic Finance Education:

The rapid growth of Islamic finance in all corners of the world calls for increase in human capital

**Despite its substantial scale, Islamic finance lacks the infrastructure to create a scaled, talented workforce.** Islamic finance as an industry has exceeded US\$2.4 trillion, with a substantial need for qualified human capital by the industry<sup>69</sup> Notable examples of the need is in Saudi Arabia, which has US\$509 billion in Islamic finance assets, more than Malaysia, but with only 24 education providers, less than half of Malaysia.

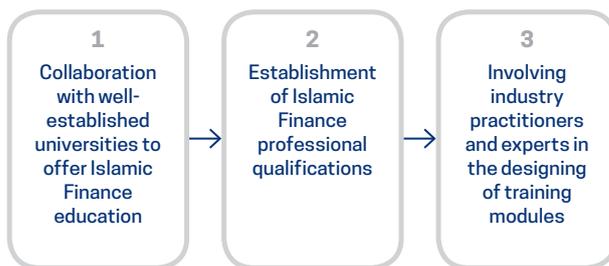
**The lack of talent has held the industry back thus far, but the increase in education initiatives has been promising**

According to a survey done by the Malaysia International Financial Center (MIFC) in 2016, the top three competency gaps among those in Islamic finance included shariah expertise, innovation and product development, as well as technical Islamic finance knowledge, resulting in the over-extension of existing scholars<sup>70</sup>

The lack of human capital and expertise in Islamic finance in Brunei has hindered its aspiration in becoming an Islamic finance hub as local Islamic banking and finance experts are needed to produce industry-ready professionals.<sup>71</sup>

However, education in Islamic finance is improving, with notable developments such as the Islamic Research and Training Institute (IRTI) of the Islamic Development Bank (IsDB) Group and Bahrain Institute of Banking and Finance (BIBF), collaborating on new courses<sup>72</sup>

**Universities and professional training organizations are a key part of the development roadmap**



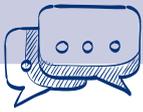
- Collaboration with well-established universities to offer Islamic finance education that spans graduate and undergraduate students and establishes a robust pipeline of future professionals
- Establishment of Islamic finance professional qualifications: working together with traditional professional qualifications in finance and accounting, such as CFA or ACCA
- Involving industry practitioners and experts in the designing of training modules: In order to bridge the competency gap that is prevalent in the Islamic finance industry, the structure of education needs to be realigned for it to focus significantly in practical skills and knowledge.



Islamic finance need more comprehensive educational programmes where its development involves multiple stakeholders...

– Omar Mustafa Ansari, Acting Secretary General, Accounting Auditing Organization for Islamic Financial Institutions (AAOIFI)





# Interview

**Salmaan Jaffery**  
Chief Business Development Officer  
DIFC Authority



مركز دبي  
المالي العالمي  
Dubai International  
Financial Centre



In his capacity as Chief Business Development Officer, Salmaan Jaffery is responsible for developing and executing business strategies aligned with the DIFC's 2024 growth ambitions. The business development team, under Mr. Jaffery's direction, identifies and evaluates potential partnership opportunities that serve business and client growth within the DIFC community.

Mr. Jaffery has 20 years of extensive operating and advisory experience working with global financial services and consulting firms across the Middle East & North Africa, Asia and North America. During this time, he has established a track record for earning trust and delivering value to clients by developing new revenue opportunities, improving performance and driving organisational change. Mr. Jaffery has cultivated a vast network of peer and C-Suite relationships and is an accomplished thought leader in customer centricity and Islamic finance.

Before joining the DIFC Authority, Mr. Jaffery held leadership roles in Conventional & Islamic Finance at PricewaterhouseCoopers and Ernst & Young Middle East. Prior to that, he held operating and finance roles at Citibank and American Express in New York. Mr. Jaffery has also led client teams at Oliver Wyman focused on customer driven growth strategies and new venture analyses.

Mr. Jaffery holds an MBA from Cornell University and a BA in International Relations (Phi Beta Kappa) from Colgate University in the United States. He is President of the Cornell University and Johnson School Clubs, Middle East and serves on the Boards of several non-profit organisations.

**The Islamic finance industry has seen high growth in the last few decades, reaching assets of \$2.44 trillion globally. What is your outlook for the Islamic finance industry in the UAE and, more broadly, on the global level?**

The global Islamic finance industry is growing, with over 600 Islamic financial institutions operating in 75 countries. The potential for the Middle East is immense; as well as for Africa and South Asia (MEASA), due to their large Muslim populations.

Dubai is strategically located and has the supportive infrastructure to be the natural home for Islamic finance. In 2016, the Islamic economy sectors contributed almost \$9 billion to Dubai's economy – 8.3% of the total GDP. The emirate is also the world's largest centre for Sukuk listings at US\$51.21 billion, and Nasdaq Dubai, located in DIFC, contributed US\$49.06 billion in Sukuk listings.

As Islamic finance continues to gain traction on the global stage, we believe that emerging trends like Islamic FinTech can contribute significantly to its growth, and this is an important area for DIFC.

**DIFC has witnessed growth in wealth and asset management, as can be observed from growth in registrations as well as the number of funds. What do you anticipate to be the main drivers of growth in DIFC's business going forward?**

Building on the strong growth DIFC has reported in 2018, our priority remains on delivering on our strategic goal of tripling in size by 2024. We expect to do this by deepening core synergies with existing clients, and creating relevance in key global sectors, such as Wealth and Asset Management, Islamic Finance, Family Business, FinTech and Financial Inclusion. This is, of course, supported by the continuous enhancement of our world-class physical and regulatory infrastructure.



The size of our ecosystem is also attractive to companies in our core sectors of wealth and asset management, insurance and banking.

**How is the world of investment management changing with the presence of big data and ESG, and how is DIFC seeking to adapt to this change?**

The investment landscape has witnessed significant change over the past few years, driven not only by emerging trends like Big Data and disruptive technologies, but also by the rising importance of ESG investing — all together are constantly changing the way investment decisions are made and also how investments are being deployed.

This change is a positive one. Big Data is offering investors the opportunity to make smarter, more-informed decisions, and to have better visibility over their investments. And this works perfectly well with the increasing awareness around the concept and importance of ESG investing.

The higher levels of transparency and better governance practices that these trends offer, will translate into more diligent control of investments, and in turn higher investor confidence — a key priority for us at DIFC.

We are proud of the internationally-recognised legal and regulatory framework we offer, and we are constantly enhancing to adapt to the ever changing investment landscape, and to remain in-line with international best practices and data protections laws.

**What are the key challenges facing Islamic asset management as an industry? How does DIFC seek to help the Islamic asset managers overcome these challenges?**

As the leading financial centre in MEASA, DIFC is an international base for providers of Islamic financial products, which offers the Islamic asset management industry unmatched access to an integrated ecosystem of regulations, clients and professionals. These are all important for the industry.

We are also committed to working with our community of industry-related clients and partners to remain ahead of the latest Islamic finance trends and address their challenges.

**In your opinion, how can digital innovation contribute to shaping the future of Islamic economy? How is DIFC leveraging digital innovation to achieve Dubai’s growth potential as an Islamic economy hub globally?**

Technological innovations are definitely redefining the future of the Islamic economy, especially in a region where

an astounding 70% of its population remains unbanked – mainly due to the lack of access to financial institutions and religious compliant offerings.

We have already launched numerous initiatives to encourage the development of Islamic FinTech, particularly through FinTech Hive, the region’s first financial technology accelerator. Now in its second year, one of the areas of focus for the accelerator’s 2018 programme is on Islamic FinTech. We are partnering with DIEDC, as well as a number of regional Islamic banks to nurture innovation in this field.

Furthermore, the DIFC offers dedicated and cost-effective FinTech licenses to foster the growth of this industry. In fact Maliyya, a Sharia compliant peer-to-peer financing platform that was one of the participants in last year’s accelerator programme, was one of the first companies to receive the Innovation Testing Licence (ITL). The ITL, offered by the Dubai Financial Services Authority, allows qualifying FinTech firms to develop and test their concepts from within the Centre without being subject to the regulatory requirements that normally apply to regulated firms.

Together, these elements create an ideal environment for greater innovation in Islamic and conventional financial services alike. ■



As Islamic finance continues to gain traction on the global stage, we believe that emerging trends like Islamic FinTech can contribute significantly to its growth, and this is an important area for DIFC.



# Halal Travel



Turunc Bay in Marmaris, Turkey.

# Summary

**M**uslims across the planet want to vacation in environments that respect their beliefs and cater to their requirements. Such concerns range from providing halal food at restaurants and hotels, to more diverse offerings, such as accommodation that includes prayer rooms, and resorts that have segregated as well as family-friendly facilities at swimming pools and beaches.

In line with the growth of other Islamic economy sectors, Muslims are also hoping for Islamic-themed entertainment, healthcare, shopping and Islamic financing options. OIC countries are increasingly catering to such requirements, with the GCC making a strong push for Muslim-friendly tourism, with a marked focus on family-friendly hotels and resorts.

Indeed, beach tourism is a particularly strong growth segment, reflected in Turkey's halal-friendly resorts having a turnover of US\$184 million in 2017. Yet while 'bucket and spade' beach tourism presents major investment opportunities, which a growing number of countries and operators are catering to from North Africa to the Far East, cultural, historical and religious tourism is also coming to the forefront.

Indicative of this is that the 2030 and 2040 visions of Saudi Arabia and Oman want tourism to be major drivers of economic growth. Saudi Arabia wants to be more than a pilgrimage destination for Muslims going on Hajj and Umrah by having visitors extend their stay to visit other religious, historical and cultural sites.

The Saudi Arabia is also set to invest US\$64 billion in entertainment infrastructure over the next decade, but is also not overlooking significantly expanding Hajj and Umrah facilities to improve pilgrims' overall experience.

As in other Muslim-friendly tourism segments, digitisation is being adopted in Saudi Arabia, particularly applications. This also extends to 17,000 smart buses fitted with GPS systems, and a high-speed railway between Makkah and Madinah.

Tour operators are tapping into global demand, with Muslim-friendly online travel services proving attractive to investors. The UmrahHajj booking app attracted US\$1 million in seed funding, HolidayMe raised US\$12 million in financing, and HalalBooking.com is seeking to raise US\$10 million.

Mainstream tourism concepts are also being adopted, such as time share holiday apartments in Dubai, and the utilisation of machine learning by Have halal, Will Travel launching a chatbot to provide customised recommendations to clients.

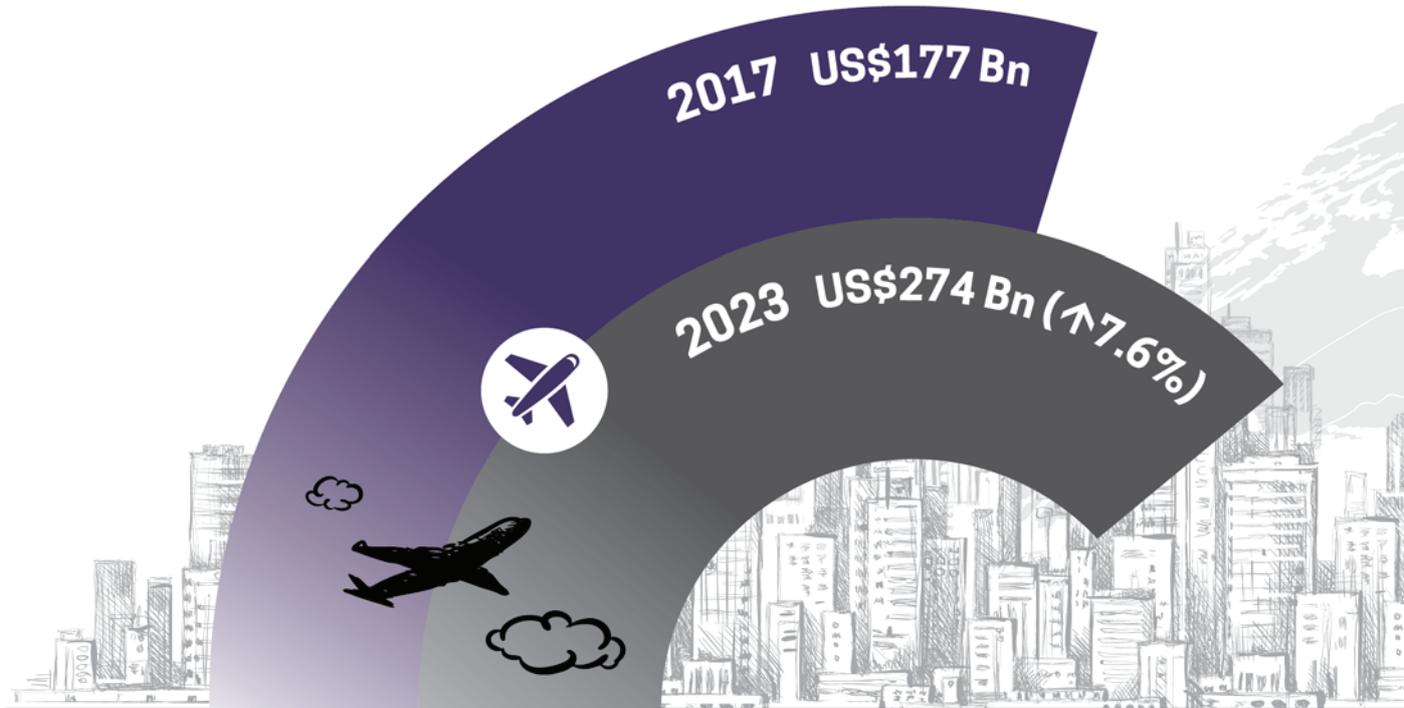
Improved regulation of halal travel is helping to drive halal travel, with Indonesia requiring halal businesses to be certified or face being fined, while Turkey has established its halal Accreditation Authority to provide certification to hotels, ski centres, cruises, and other tourism and services-related businesses.

Muslim spend on travel was valued at US\$177 billion in 2017, and is forecast to grow to US\$274 billion by 2023.



# Halal Travel

## Total Travel Market Spending



### Key Drivers Today

#### 1 Notable Islamic Economy Investments in Halal Travel



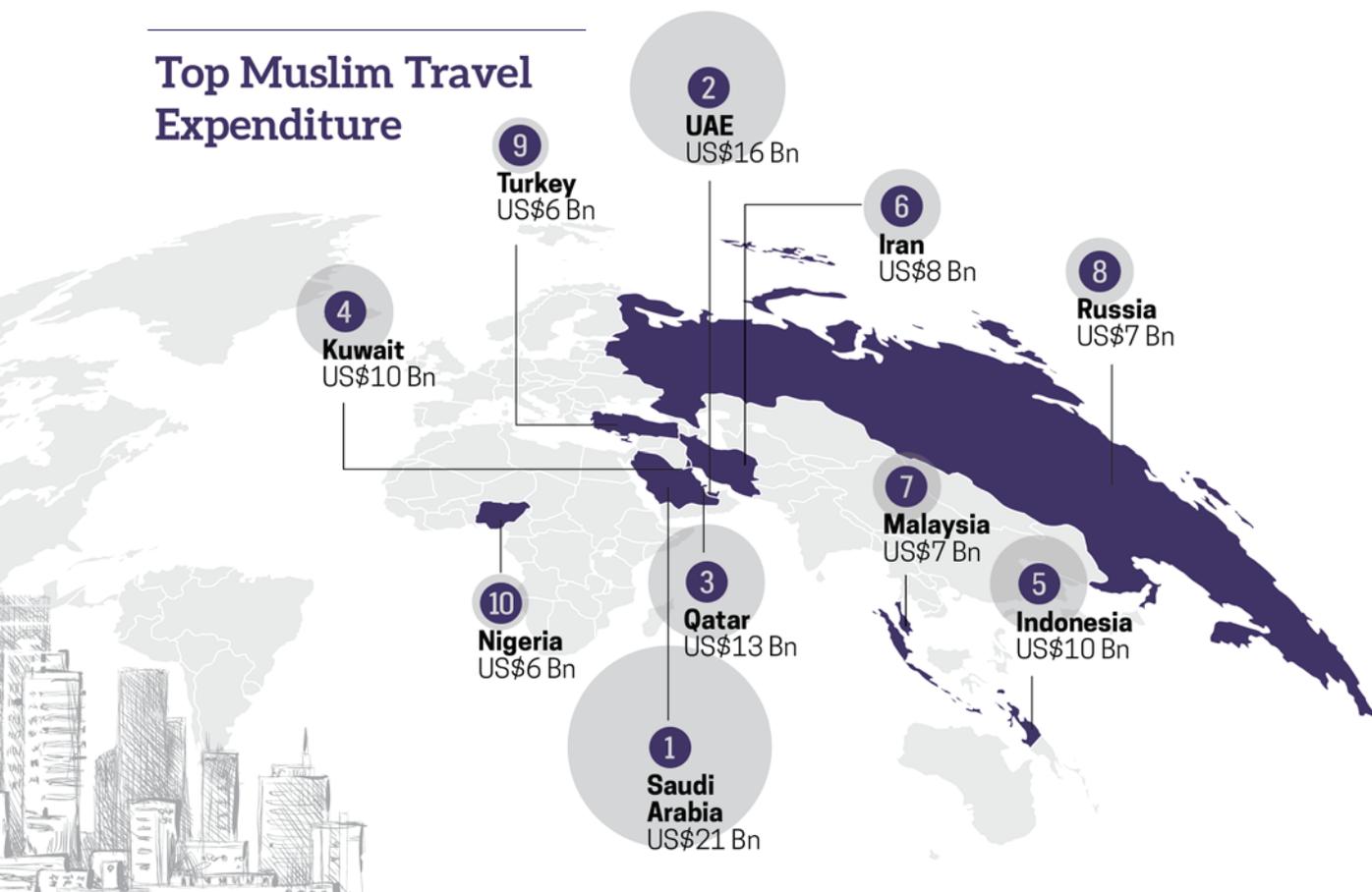
Disclosed private equity or venture capital investments, 2015-18

#### 2 Robust Outbound Travel Spend (Billion) MENA-led outbound tourism

MENA-GCC	<b>US\$54.4</b>
MENA-Other	<b>US\$25.7</b>
East Asia	<b>US\$20.5</b>
W. Europe	<b>US\$16.5</b>
Central Asia	<b>US\$10.3</b>
Sub-Saharan Africa	<b>US\$7.0</b>
South Asia	<b>US\$4.6</b>
North America	<b>US\$3.1</b>
Other	<b>US\$0.8</b>



## Top Muslim Travel Expenditure



## Future Enablers

### 1 How Technologies Impact Halal Travel Industry

- 
 Connectivity backbone ●

---

  - 
 Computation, decision & automation ●

---

  - 
 Power, matter & space ●

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  - 
 The body ●
- High Impact
  Moderate
  Limited

### 2 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:



# Key Developments in 2017/18

## Halal tourism is becoming increasingly digitised with ventures into AI and virtual reality

The digitisation of travel is expanding to sub-sectors that were previously bureaucratic, including the hajj and Umrah sectors.

- Safa software company launched a Umrah and hajj booking portal as well as a hajj and Umrah visa processing portal<sup>73</sup>
- Saudi Arabia is launching smart buses for the 2018 Hajj season. Seventeen thousand GPS powered tablets will be provided to the buses, which will allow the buses to be tracked electronically and allow for redirecting bus routes.<sup>74</sup>

The halal travel industry is starting to experiment with AI and Virtual Reality.

- Have Halal, Will Travel launched a chatbot named Sofia which provides customised recommendations based on machine learning.<sup>75</sup>
- The Saudi Commission for Tourism & National Heritage (SCTH) developed a virtual reality app that allows visitors to travel expos to see inside the Saudi Archaeological Masterpieces museum.<sup>76</sup>

Driverless and high-speed transportation, part of the future of transport, are already being launched in the GCC, which will naturally enhance the experience in halal travel

- Dubai's Roads and Transport Authority (RTA) launched the Dubai World Challenge for Self-Driving Transport, as part of its plan to transform 25 per cent of transportation trips in the city into driverless trips by 2030<sup>77</sup>
- Dubai tested the world's first Autonomous Pods, which are designed to travel in dedicated lanes, in early 2018<sup>78</sup>
- A high-speed electric train will start running between Makkah and Madinah by September 2018 and is scheduled to become fully operational by early 2019.<sup>79</sup>

**Oil-rich GCC countries, previously not focused on tourism, are taking measures to increase tourism revenue as a measure to diversify their revenue sources and decrease their dependence on oil.**

Saudi Arabia is developing destinations for mainstream tourists as well for Muslim visitors

- Saudi Arabia is planning to build a semi-autonomous visa-free travel destination on its Red Sea coast<sup>80</sup>
- Saudi Tourism Commission launched 'Destination for Muslims' Initiative which targets Umrah visitors, Muslim businesspeople, and Muslim transit passenger, to whom it will offer tourism products<sup>81</sup>
- Saudi Arabia plans to invest US\$64 billion on entertainment infrastructure in the next 10 years. It opened its first cinemas in 2018 as part of their agreement with AMC Entertainment Holdings. Saudi Arabia is also planning to build its first amusement park, having signed an agreement with Six Flags to open its first attraction in 2022.<sup>82 83</sup>

GCC governments are taking measures to encourage tourism investments to provide the tourism infrastructure, attractions and accommodation facilities required for the increased tourism targets.

- Oman's Tourism Ministry has opened the door for new hotels, as it needs 80,000 new rooms by 2040 to achieve its target of 11.5 million visitors as part of its Tourism 2040 Strategy. Eighty-one hotels have applied to invest in Oman<sup>84</sup>
- Oman is seeking investors to finance a US\$5 billion mixed-use tourism project in Salalah, also as part of its 2040 Strategy<sup>85</sup>
- Bahrain announced several tourism projects available to private investors as a public-private investment opportunity. The largest of these planned projects is the development of a strip of resorts and residential properties in Bilaj al-Jazayer, on the southwest coast of the island.
- Kuwait's leading property developer, Tamdeen Group, is developing a US\$824 million waterfront shopping and entertainment centre. The project will include a shopping mall, entertainment facilities, parks, and a five-star hotel<sup>86</sup>
- Dubai is pushing to establish a time-share holiday market to promote family tourism and longer vacations. Dubai's Department of Tourism and Commerce Marketing is targeting between 500-1000 time share homes.<sup>87</sup>

Please refer to endnotes for citations.



Lagoon with turquoise water in Wadi Tiwi in Oman.

Meanwhile, increasing investments in digital halal travel is very promising

- UmrahHajj, a booking app for hajj and Umrah, raised US\$1 million in seed funding. It plans to announce a US\$10 million Series A funding in the second half of 2018<sup>88</sup>
- HolidayMe, a travel portal offering customised travel solutions to customers in the GCC, raised US\$12 million in a Series B funding round involving undisclosed investors<sup>89</sup>
- HalalBooking.com, a global website for halal travel, announced it is seeking to raise a US\$10 million Series A round at a US\$50 million valuation. It is to be noted that HalalBooking.com raised US\$1 million in a Late-Seed private angel investment in 2015.

Efforts to regulate halal tourism continue on a government level. However, these efforts are still fragmented with no global halal tourism regulation in the horizon.

- The Turkish government established the halal Accreditation Authority (HAK), in late 2017, as the only body authorised to provide halal accreditation services for halal certification bodies that provide certifications to hotels, ski centres, cruises, and other tourism businesses in terms of halal food, as well as services<sup>90</sup>
- Jakarta will issue regulation for halal tourism that will require businesses with halal claims to be certified or otherwise face fines<sup>91</sup>

# Opportunity



**Halal Beach Resorts:** The outstanding success of Turkish halal beach resorts with increasing consumer demand for Muslim-friendly beach resorts creates a strong investment case



## ECONOMIC IMPACT<sup>31</sup>

Potential room revenues earned by halal beach resorts

**US\$1.06 billion potential** in the ten top country destinations for beach resorts



We've had tremendous success with halal-friendly beach resorts in Turkey... Bed capacity [in the Antalya-Alanya region] has increased by 450 per cent over the past five years and new hotels open every year.

- Ufuk Secgin, CMO, HalalBooking



**Globally, the global hotels and resorts segment is a rapidly growing one.**

- The global hotels and resorts industry reached US\$1 trillion in 2018, growing annually at 2.3 per cent over the past five years, and is expected to reach US\$1.2 trillion by 2023.<sup>92</sup> The main growth driver is the improving global economy which is resulting in increased travel spending.
- Investment in hotels and resorts is expected to continue to grow 1.3 per cent annually to reach 518,581 locations by 2023<sup>93</sup>

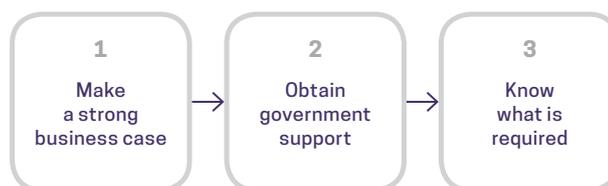
**Muslim-friendly beach resorts in Turkey have made a strong case study for the huge demand and revenue potential of halal beach resorts**

The annual revenue of Turkish halal-friendly resorts in 2016 is estimated by HalalBooking.com to be US\$184 million, 80-90 per cent of HalalBooking.com's US\$14 million revenue in 2017 was from beach resort bookings.<sup>94</sup>

Muslim-friendly features of Turkish halal beach resorts include separate swimming pools and beach areas exclusively for women, separate spa facilities, family-friendly entertainment, in addition to facilities to meet all the basic needs of Muslim guests

There is already some investor interest in developing Muslim-friendly beach resorts in beach destinations globally. Orta Gogu Grubu, a Turkish holding company which owns Wome Deluxe Resort, one of the flagship halal resorts in Turkey, plans to invest in more beach resorts to build on their success.<sup>95</sup>

**The roadmap involves securing investor and government support and developing the right operational capabilities**



- **Make a strong business case to investors:** Present a strong case to hospitality real estate investors in top destinations, based on robust primary research
- **Obtain government support:** Make a strong case to the local Destination Management Organisation (DMO) as well as the Ministry of Tourism on the impact of establishing a Muslim-friendly beach resort on the destination's tourism receipts
- **Gain know-how on what is required in a Muslim-friendly beach resort:** Speak with the management and owners of successful Muslim-friendly beach resorts in other destinations to learn how to develop appropriate accommodations for Muslims.

# Challenge



**Funding gap:** The lack of investor confidence in the earning potential of Muslim-friendly travel brands is an obstacle in the ability of existing brands to scale

**Muslim investors are reluctant to invest in halal travel brands.** Despite Muslim spending on travel reaching US\$177 billion in 2017, Muslim investors are still reluctant to invest in Muslim-friendly travel brands, fearing revenue loss due to the Muslim-friendly positioning.

Ironically, it is mainstream investors who have shown interest in Muslim-friendly travel brands, such as Trapeze which received an undisclosed investment amount in 2017 from non-Muslim investors and Firnas Airways which raised US\$444 thousand from crowdfunding, through Eureeca.com.

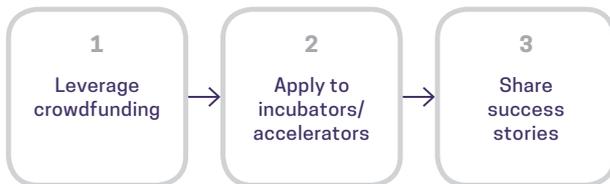
The lack of Muslim investors is troubling, but a broader appeal to conventional investors can help accelerate growth in halal travel

Many startups have struggled, notably, Islamic GPS, an augmented reality travel app, was unable to raise funds from Muslim investors, who were averse to investing in apps<sup>96</sup>

However, numerous success stories in travel highlight a potential path forward to halal travel, with flight-booking app, Hopper, raising US\$61 million in Series C Financing in 2016<sup>97</sup> and cruise-booking website, Dreamlines, raising US\$55 million in Series E funding in 2018.<sup>98</sup>

For instance, HalalBooking.com, through its funding, has been able to expand to over 250,000 customers across 75 countries, showing real market traction.

**The roadmap to addressing the opportunity involves engaging with the venture support ecosystem**



**1. Leverage crowdfunding to directly reach the consumer that already understands the opportunity:** Angel investment may be too difficult, crowdfunding and gaining traction may be a better way to go to build early successes

**2. Apply to startup incubators/accelerators:** Join the growing list of accelerators, including within the Islamic economy, to best pivot the business for global success. Such pivots can include regional, as well as broadening customer focus to ethical travel

**3. Vocalise the success stories:** Make case studies evident in your business plans and share data with potential investors



There are numerous investors in the Middle East... [But] There are no Silicon Valley type investors here... They are all willing to invest sub US\$100,000...

- Irfan Ahmad, Founder, Irhal.com



# Modest Fashion



A model walks the runway for Designer Vivi Zubed during the Indonesian Diversity fashion show during New York Fashion Week at The Gallery The Dream Downtown Hotel in New York City on September 7, 2017. HUMBERTO VIDAL / SHUTTERSTOCK.COM

# Summary



**M**odest fashion has become *de rigueur*. The segment is no longer confined to brands targeting wealthy Muslims in the GCC with one-off fashion lines for Ramadan and gimmicky launches of hijabs.

Modest fashion is moving into the mainstream, from luxury brands to high street stores, albeit with much more room to grow. Models in hijabs have swayed across the catwalk in Lake Como for Dolce & Gabbana, while clothing giant H&M released an entire modest fashion collection called LTD.

Several other big-name brands have launched modest fashion lines, while the US retailer Macy's and the UK's Marks and Spencer have both stocked and launched modest clothing labels.

Online retailing and influencers have helped drive the popularity of modest fashion, alongside models in hijab gracing the covers of Cosmopolitan magazine in the Netherlands and Vogue magazine in the UK. But it is not just European fashion brands and magazines that are raising the profile of modest fashion. OIC-based modest fashion brands continue to be launched, while the world's first hijab shopping centre was recently opened in Istanbul.

Millennials in both Muslim and non-Muslim-majority countries are also setting new modest fashion trends with crossovers for halal cosmetics.

However, mainstream brands' adoption of modest fashion does present a challenge for small and medium-sized enterprises that have organically developed their own modest fashion lines in the OIC countries and elsewhere, lacking marketing budgets and global retail presence. There is much room for improvement, however, in how mainstream brands understand and interact with Muslim consumers.

This is particularly apparent in the sustainable and ethical fashion space, with Muslim startups not yet adapting to this growing consumer phenomenon.

Furthermore, the fashion industry is often a world unto itself, with a tendency for being more cosmopolitan and culturally sensitive than society at large, and is affected by government policies in many countries. For instance, the Canadian province of Quebec has restricted women wearing abaya and niqab from accessing public services, and Germany and Australia have banned school children from wearing hijab.

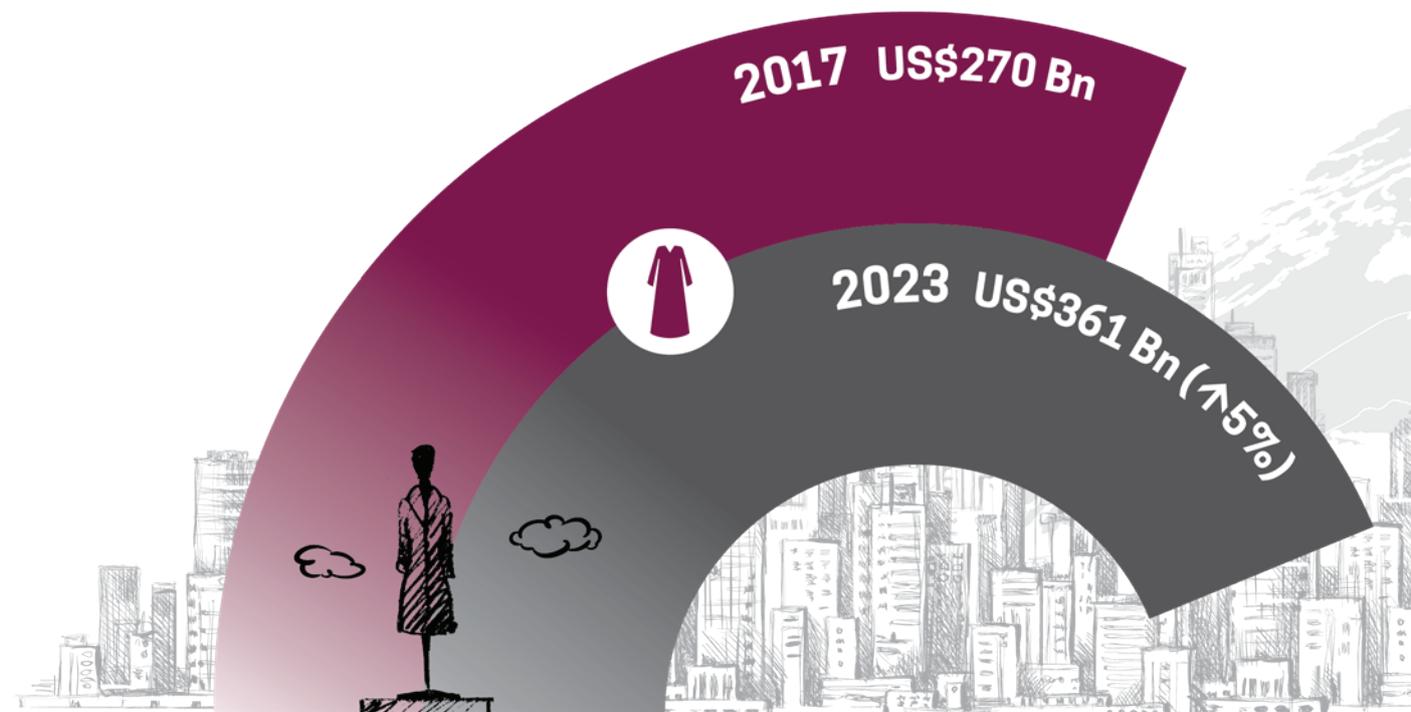
Nonetheless, mainstream fashion's adoption of modest fashion is helping to counter negative perceptions towards Islam, and the segment promises significant growth potential.

Muslim spend on fashion was US\$270 billion in 2017 and is forecast to grow by 5 per cent CAGR to US\$361 billion by 2023.



# Modest Fashion

## Total Modest Fashion Market Spending



### Key Drivers Today

#### 1 Notable Islamic Economy Investments in Modest Fashion

**US\$23 Mn**

#### 2 Significant Trade in Modest Fashion

EXPORTS (Thousands) **US\$74,652,194**

IMPORTS (Thousands) **US\$1,054,411**

#### OIC MODEST FASHION IMPORTS BREAKDOWN (Thousands)



Women's Coats  
**US\$96,067**



Women's or girls' blouses, shirts and shirt-blouses\*  
**US\$279,930**



Women's or girls' singlets and other vests, slips, petticoats...\*\*  
**US\$678,414**

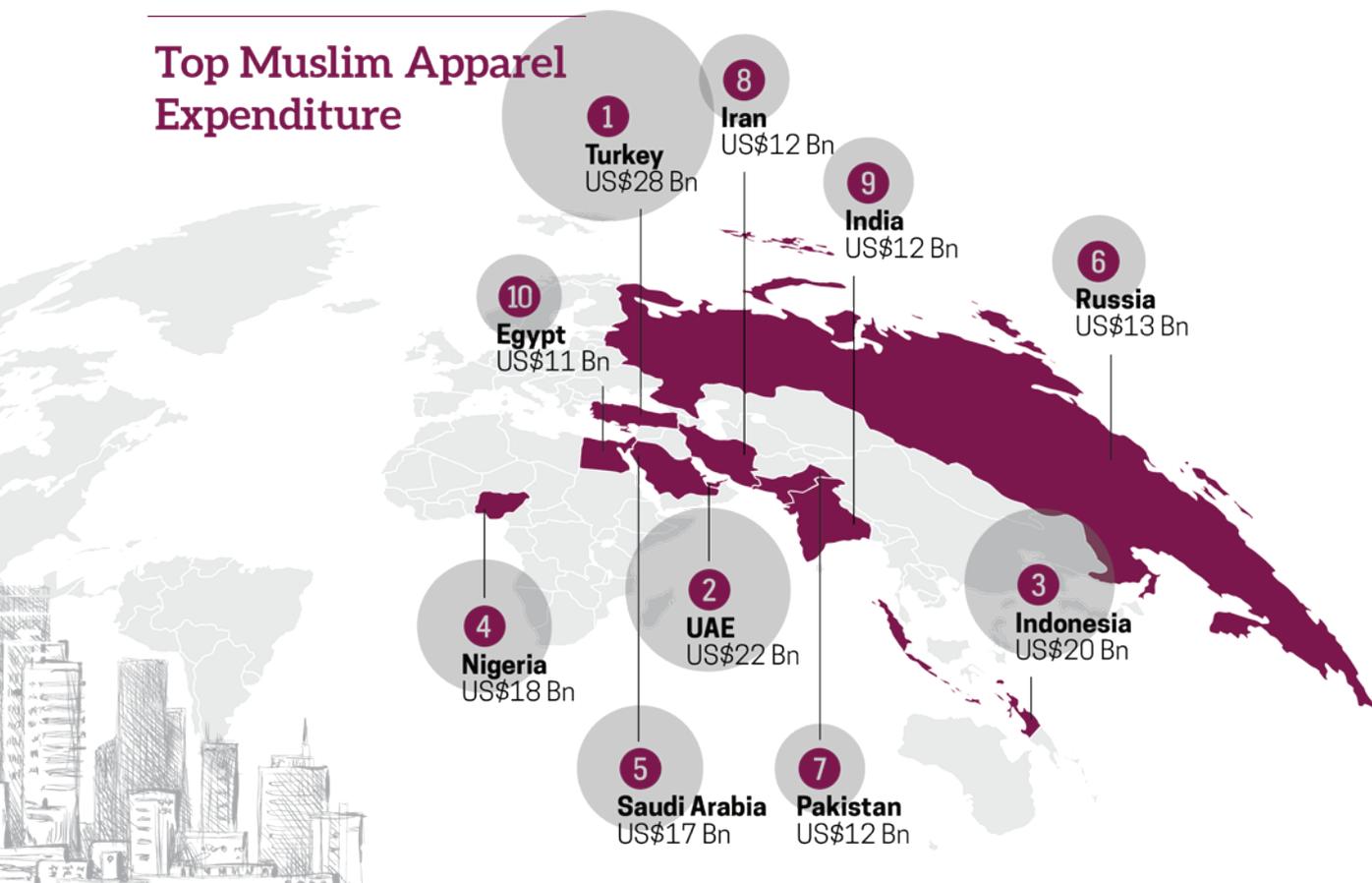
\*excluding knitted or crocheted and vests

\*\*briefs, panties, nightdresses

by Islamic countries (OIC\*) 2017



## Top Muslim Apparel Expenditure



## Future Enablers

### 1 How Technologies Impact Modest Fashion Industry

- 
 Connectivity backbone 

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  - 
 Computation, decision & automation 

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  - 
 Power, matter & space 

---

  - 
 The body 
- High Impact
  Moderate
  Limited

### 2 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:







# Key Developments in 2017/18

The modest fashion industry is becoming increasingly competitive, with the entrance of the leading global apparel brands and retailers, and with greater coverage by mainstream media

Leading brands, especially in the luxury segment, have sought to launch their own collections

- H&M Launches the first mainstream modest fashion Line called LTD. Collection this year for Spring/Summer, in the fast fashion space. This is an entire line that includes hijabs, not just a one-off small capsule Ramadan Collection which other major brands have started to create annually.<sup>99</sup>
- Dolce & Gabbana continues promoting modesty, and is collaborating with influencers such as Ruba Zai, in addition to other Middle Eastern influencers. And Halima Aden walks their couture show most recently in Lake Como with hijab and the designers quoted “we respect all religions and cultures” in this special show that showed saris and headscarves on the runway.<sup>100</sup>
- Furthermore, CH Carolina Herrera, Michael Kors and Massimo Dutti have also introduced their Ramadan Collections this year.<sup>101</sup>

Leading retailers globally have sought to accommodate modest fashion, opening an exciting avenue for customer-centric independent brands focused on modest fashion

- Macy’s, one of the largest US retailers, stocks modest clothing label Verona Collection and sells hijabs; leading UK retailer Marks & Spencer’s has also launched a modest fashion line in the UK and the GCC<sup>102</sup>
- Net-a-porter has a ‘Modest’ tab now with a 140 piece ‘Modest Edit’ of major brands like Mary Katrantzou, Jenny Packham, Valentino, Gucci, Dolce & Gabbana, Alexander McQueen and similar luxury brands’ modest pieces to mix and match.<sup>103</sup>

Modest fashion is gaining more coverage in mainstream media, with the broader acknowledgement of hijab online

- Neelofa is beauty brand Lancôme’s first hijab-wearing ambassador<sup>104</sup>
- Influencer Ruba Zai of Hijab Hills lands a solo cover on Cosmopolitan Magazine in Netherlands with hijab<sup>105</sup>

- Halima Aden continues to grace major fashion magazine covers including British Vogue in hijab<sup>106</sup>

- Apple released 12 new emojis including covered Muslim women for Apple keyboards<sup>107</sup>

## Meanwhile, OIC countries seek to strengthen their foothold in the modest fashion industry

- Saudi Arabia had its first fashion week in Riyadh with Sheikh Abdullah al-Mutlaq, a member of the Council of Senior Scholars in Saudi, stating women should dress modestly, but this did not have to mean wearing the abaya, opening a range of opportunities for more styles and modest clothing options<sup>108</sup>
- The world’s first Muslim women hijab shopping center opened in Istanbul: Zeruj Port AVM, an important development that could be replicated across the OIC markets, with an exciting linkage to the halal tourism industry<sup>109</sup>

## There continues to be a very positive investment story experienced by independent and digitally native, modest brands, with important, albeit modest, steps toward building a modest-native billion-dollar brand

- UAE-based The Modist received US\$15 million investment from Vaultier7, an investment fund focused on supporting emerging brands<sup>110</sup>
- Malaysia-based Aidijuma Colors Group, which had previously acquired Hijup, has also acquired a majority stake in United Kingdom’s e-commerce retailer, Haute Elan — building an impressive global footprint that sets it apart from its independent competitors in modest fashion<sup>111</sup>

## The challenge of wearing modest clothing still persists in non-Muslim-majority countries, which dampens industry growth somewhat

- Germany and Australia have introduced legislations restricting students from wearing hijab at school<sup>112</sup>
- Quebec has introduced legislation that restricts the ability of women wearing abaya and niqab from accessing public services<sup>113</sup>

Please refer to endnotes for citations.

# Opportunity



## Addressing the broader ethical market opportunity:

Infusing eco elements and social impact can help modest clothing companies access a wider opportunity



### ECONOMIC IMPACT

Eco-fibres market opportunity addressable by modest fashion companies

**US\$75 billion by 2020,**  
up by 11.46 per cent CAGR  
from US\$44 billion in 2015



...we did not realize how our actions hurt mother earth ...We took on the initiative to not only learn and practice with the experts but also educate our deserving customers...With the right partner network, our aim is to sell close to 50 million pieces of sustainable fashion.

– Raza Beig, CEO – Splash, Iconic & Landmark International and Fashion Director – Landmark Group



**Sustainable modest clothing companies can access an exciting market opportunity exceeding US\$100 billion.** Clearly those that take the opportunity can go well beyond the US\$44 billion modest fashion market opportunity<sup>1</sup>

**Sustainable clothing companies appeal strongly to a growing ethical consumer base, but modest fashion is far behind its halal food counterparts**

Ethical consumers are driving substantial success stories in new sustainable brands, such as Everlane, which has raised US\$18 million in venture funding<sup>2</sup>

There is substantial interest among investors, with H&M notably setting up a VC arm and investing in several sustainable clothing companies, notably, Worn Again and Sellpy<sup>3</sup>. Analogs exist in the broader lifestyle sectors, notably in food, whereby numerous halal organic food companies, such as Saffron Road and Honest Chops have experienced substantial growth. However, there has been limited experience of such within Fashion.

**The roadmap involves securing the right level of support and embarking on an ambitious expansion strategy**



- 1. Work out the right proposition:** Incorporate a strong sustainability proposition into your product, thinking carefully about responsible procurement and remuneration across the supply chain, with a clear and measurable impact
- 2. Secure and communicate the right certifications:** Secure leading certifications that include fair trade, Fair Wear Foundation and the Soil Association, and develop a compelling story that appeals to a broader consumer group
- 3. Get the support of industry leaders to scale and grow:** Find a supportive investor, either an incubator or venture firm, that can help you scale your proposition and expand your product offering to fit a broader ethical consumer base

1 Datto, Siraj. *Meet the Muslim Women Inspiring a Modest Revolution*. Bloomberg News. March 02, 2017.  
2 *The Top 10 Venture-Backed Fashion Startups*. Campfire Capital. May 04, 2017.  
3 *These Startups Are Helping H&M to Envision a Circular Fashion Industry*. Business Insider. November 14, 2016.

# Challenge



## Commoditisation of modest fashion:

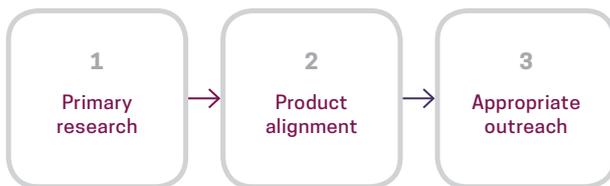
With bigger companies entering modest fashion, there are concerns of an increasing disconnect with the end consumer

**Modest fashion is growing fast as an industry, but with it, there is increasing commoditisation, with the consumer ultimately losing out.** There has been a tremendous growth of independent brands, but noticeably, the well-capitalised leaders in the apparel industry are also entering the industry, with limited engagement with the Muslim consumer base.

**The funding received by the independent, Muslim-native brands, is exciting, but larger multinationals are driving commoditisation**

- The independent brands have shown an astute customer engagement strategy, with encouraging growth in the leading independent brands, noticeably Khaadi and the Aidijuma group, as well as the funding received in the past year by the Modist
- However, competition in the industry is very intense, with the largest multinationals much more well capitalised
- The lack of astuteness of brands across fashion and beauty in understanding consumer needs is evident with the misstep, which would naturally extend to users of Modest Fashion, that was taken by MAC Cosmetics in creating a video on how to apply makeup for Suhoor for UAE-based Muslims, which was criticised by a broader global audience

**The roadmap to addressing the challenge requires a customer-centric strategy, built upon robust primary research**



### 1. Start with primary research: Engage the consumer closely

- Native companies such as Modanisa and Khaadi pride themselves on ongoing engagement, linking that to product development

### 2. Be prepared to adjust your product

- Take feedback from consumers seriously with robust engagement on social media and ongoing surveys
- Work with modest fashion experts and well-informed influencers to gather feedback on your product

### 3. Be sensitive and targeted with your outreach

- Work closely with influencers and advisors to ensure the marketing campaigns are well informed
- Leverage specialised channels to market your product, working with specialised advertising platforms such as HalalAd and Muslim Ad Network, as well as conventional advertising platforms, launching targeted social media ads



One of the concerns is that modest fashion has lost the unique look it created in the early days ... and now is almost interchangeable with wider fashion

– Shelina Janmohammed,  
Ogilvy Noor



The inaugural Modest Fashion Summit is organized by Eskeleit – a digital custom event management company from New York, in partnership with renowned Condé Nast International - global leaders in the fashion, luxury and lifestyle media; and Rabia Z, pioneer of the Modest Fashion industry and the trusted expert-authority.

Modest Fashion Summit aims to be the core B2B platform for Modest Fashion stakeholders, including decision makers, investors, retailers and e-tailers, manufacturers, wholesalers, digital marketing companies, PR & media agencies, logistics, creative consultants, start-ups and established fashion businesses, designers, labels, fashion professionals and vendors covering the industry's supply chain eco-system; including ones from the mainstream fashion industry. The Summit will be key in networking, learning, building relationships and establishing new opportunities to collaborate between brands, retailers, businesses and investors to ensure accelerated growth and sustainability of the industry.

Despite the rising global interest in modest fashion, many have yet to understand the concept, the end-to-end supply chain and the full potential, globally. More discussions and encounters should be held to ensure that the stakeholders understand the full circle of the modest fashion industry. One of the ways to establish a strong, scalable and sustainable modest fashion industry will be through the Modest Fashion Summit.

The groundbreaking Summit is a world-class event that brings together international fashion brands and business leaders from the global retail and fashion industry. Developed and curated by the steering committee of international fashion figures and leaders, this summit will ensure an optimum benefit for all participants.

### What to expect:

Two days of action packed and inspirational content from world-class fashion businesses and speakers.

A curated 1,000+ from 40+ country decision makers and participants to elevate the business-to-business agreements between all the delegates. Networking at the power of your fingertips. The Modest Fashion Summit will provide attendees with a private social network. You can book meetings, appointments, and customize your schedule all through your mobile phone.

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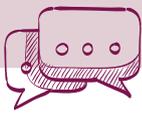


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Modest Fashion Summit



# Interview

**Franka Soeria & Ozlem Sahin**  
Founders  
Think Fashion

think**fashion** | Events  
Products  
Marketing



**Franka Soeria** is known as the global bridge of modest fashion communities and consultant of modest fashion brands worldwide. Franka holds many positions from being co-founder of Think Fashion, Modest Fashion Weeks (Istanbul – London – Dubai – Jakarta ) creator of #Markamarie — one stop hub for apparel production, creative services, marketing and PR. Markamarie also hosting young designers to sell online/offline under its own multi brand platform. Franka has been channelling start-ups and SMEs to investors worldwide as well as mentoring them to grow better. This behind the scene woman is named as one of Influential Indonesian Diaspora by the media. Franka has been featured in Associated Press, AFP, New York Times, Daily Mail, Khaleej Times, The National, Metro TV, ABC Australia and many more. With various backgrounds from music and movie industry, journalism, PR, fashion to events – this hardworking woman rapidly express the positioning of modest fashion industry and affects its development with her interesting projects.



**Ozlem Sahin** represents herself as a serial global fashion entrepreneur. She is co-founder of Think Fashion — one stop solution for modest fashion industry, co-founder of global Modest Fashion Weeks (Istanbul-London-Dubai-Jakarta) travelling event series, investor and partner some fashion focused global start-ups. Ozlem, was the coordinator of the first online hijab show worldwide in 2013, which reaches 300k online audience. After having Industrial Engineering bachelor degree in Turkey and her master program in Leadership in Italy she supported the global brands as a strategic brand consultant under her own company just before founding Think Fashion. She likes to look at what is next in modest fashion industry and she has a big interest to start-ups and entrepreneurship in different fields. She has an award winning film scenario called “Red Coincidence” that was shot by Elle Turkey.

## **Muslim consumer spending has reached \$2 trillion across various sectors. How do you think this will impact the growth outlook and projections for the Islamic economy and for modest fashion in particular?**

Modest fashion is one of the fastest growing sub-sectors in fashion, with a \$373 billion potential market size.

It is important to make it clear that modest fashion is not a ‘trend’, as trends do not stay forever. In fact the modest fashion industry has already existed for a long time, with established brands and consumers who are ready to pay for the styles they want. With the increase in consumer buying

power, modest fashion brands need to respond to consumer demands quickly and globally, with the right quality and style.

After creating the *Modest Fashion Weeks* traveling event series, Think Fashion came up with a new initiative titled *The Council of Modest Fashion*. We launched it in the Jakarta Modest Fashion Week last July, 2018. The council consists of modest fashion stakeholders from around the world who want to contribute to keeping the industry sustainable. The council will work as a ‘guardian’ to the industry, giving directions and guidance. In the council, everybody is equal and we will all collaborate to move the modest fashion industry forward, with the vision of connecting globally, and supporting authentic modest fashion players.



**It was interesting to find out that Think Fashion was co-founded by two fashion experts and entrepreneurs — Franka Soeria and Özlem Şahin. Can you tell us more about how Think Fashion was established and how it has since developed as a business?**

**Ozlem Sahin:** ‘Franka and I have been fashion consultants for many years and we have clients and projects separately. Also we have various backgrounds — Franka is in the entertainment industry (TV, movie, music), media and public relations, entrepreneurship, fashion consultancy, events and e-commerce; while I am in engineering, business management and development, fashion consultancy and e-commerce.

We both are strong in our fields. We met in Turkey in 2014 and then decided to be partners. We both see that the next big thing in the fashion industry is “modest fashion” and therefore founded Think Fashion with the motto: *Brings together the world of modest fashion globally.*

**Franka Soeria:** ‘We feel that there are many designers, brands, talents out there, but very few people think about building the structure of the modest fashion industry. Almost everybody wants to be the star but not the star-maker or the problem-solver. Modest fashion didn’t have global fashion events — everybody was busy in their regions. We realized this gap and decided to build it properly. We formulated *Modest Fashion Weeks* as the most prestigious event of modest fashion — we bring everybody together globally — to collaborate, to show the beauty of modest fashion diversity through fashion shows, exhibitor booths, talk shows and workshops, as well as to think together on how we can make this industry better.

We started with *Istanbul Modest Fashion Week* in 2016 then continued to *London, Dubai and Jakarta Modest Fashion Week*. We are now coming up with other projects to solve other challenges in modest fashion: buyers — online and offline as well as The Council of Modest Fashion that we mentioned earlier.

**In your opinion, what are the key growth opportunities for modest fashion? What role can private investment play in realizing such opportunities? How do these opportunities play into Think Fashion’s future?**

We can sum up the opportunities as four main areas: market penetration, market development, product development and diversification.

At the moment, the number of modest fashion designers and brands is increasing rapidly, however the retailers, business-to-business buying is not increasing that much. Brands need more online and offline selling channels and platforms which are dedicated to the modest fashion industry. The big buyers for the modest fashion industry are mostly online-focused but have different challenges in trying to become global players.

Expanding to other regions and markets with the right partnerships and distributor channels is key for brands. Investing in modest fashion brands which are already established and ready to go global can be smart move for investors instead of creating a brand from zero. Modest fashion already has its customers which are usually more loyal than those of regular fashion brands.

Market development refers to how modest fashion brands can attract new customers, even those unfamiliar with the concept. Through *Modest Fashion Weeks* we are presenting modest fashion not only to existing customers but to the wider public. We show how modest fashion can be a style option not only for hijabis but for everyone.

In term of product development, there are many untapped categories and supporting elements such as modest sportswear, modest teen wear, modest fashion focused media and many more.

Diversification is also very important, while keeping the identity is very crucial. The modest fashion industry needs

“ Modest fashion is one of the fastest growing sub-sectors in fashion, with a \$373 billion potential market size. ”

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more professional platforms and players. We don't need any viral things anymore, what we need now is the real thing: a business that brings positive impact to many industry stakeholders.

For Think Fashion since we are very well connected with modest fashion industry stakeholders in five continents, we have deep know-how to assist modest fashion stakeholders and as well as investors.

**Think Fashion also organizes fashion events and acts as a consultancy to small labels from around the world including Canada, Lebanon, Indonesia and Dubai, offering business advice on logistics, branding, promotion and marketing. What are the key challenges facing these labels as they grow their businesses internationally?**

Yes, we really want to see more global modest fashion brands and with that vision we provide A to Z consultancy to brands. The challenge is first of all vision. Many brands struggle to develop a clear strategic plan for themselves. We understood that we need to teach about pricing strategy, marketing, global deals, effective production, etc..

Other main challenges include taxes, logistics and style differentiation, as well as finding the right partners or team in the targeted regions. Having a local perspective and having a global perspective is totally different. At Think Fashion we fully understand that if the modest fashion brand wants to expand to a certain country/region, they

need to localize their game. The challenge is that some brands are not willing to be flexible in "localizing" their brands and insist on applying their own perspective — which later proves to be inapplicable to their new target country.

Lastly and maybe the most important challenge is reaching the right sales channels and dealing with them — since the online and offline retailers are limited.

**In your opinion, what impact will the booming Chinese economy and its One Belt, One Road initiative have on the Islamic economy? How do you think the twenty-six Muslim (OIC) countries that lie along the Silk Road will benefit from this initiative, especially with regards to Modest Fashion?**

One Belt One Road (OBOR) will surely bring a shockwave to the fashion industry, including modest fashion. As we know, logistics is one of the most important challenges for brands to expand. We hope the OBOR will help designers/brands reach new markets faster and create new opportunities that will benefit their business. We hope OBOR will be a genuine partnership in good faith that will not only benefit the Chinese textiles and garments industry but all of those in the industry, including the twenty-six Muslim (OIC) countries.

The competition will certainly be harder and it is up to us to make sure we survive and thrive. Delivering good quality products, providing innovation, having a good story and good marketing/promotion are key. ■



# Halal Media and Recreation



Filming process on the street of Istanbul. LEPNEVA IRINA / SHUTTERSTOCK.COM

# Summary

The aphorism ‘a rising tide lifts all boats’ is applicable to halal media.

Developments around the world are collectively widening the availability of halal media content that can be accessed by Muslims and non-Muslims alike, whether on smart phones, on cinema screens or between the pages of a magazine.

With entertainment and infotainment, a major business, it is only natural that content is targeted at one-quarter of the world’s population. Furthermore, Muslims are increasingly demanding culturally and linguistically specific content. This is reflected in Arabic content in the Middle East and North Africa rising by 40 per cent between 2011 and 2014, while Western content has dropped by 55 per cent.

Content producers have stepped in to cater to this demand in the Arab world, especially the Gulf countries, while Saudi Arabia is laying the foundations to be a major player in the segment through government incentives. The overturning of the ban on cinemas in Saudi Arabia is expected to push Islamic-themed content for the big screen, with resultant cross-overs to the small screen and online content.

But it is not just Arabic content that is on the rise. Turkish entertainment has become increasingly popular over the past decade, translated into multiple languages, and is giving Hollywood a run for its money, such as through its own version of the Game of Thrones, Ertugrul, set during Ottoman times.

Hollywood is also trying to appeal to Muslims, with Marvel set to develop its own Muslim superhero, while the first film to be screened in Saudi Arabian cinemas was Marvel’s ground-breaking ‘Black Panther’ with its cast of African-American movie stars.

Other non-Muslim-majority countries and regions are equally shifting their outlook to increasingly include Islamic-themed content. For example, the latest International Conference of Latin American and the Caribbean recommended the creation of halal media for Latin American countries, while the UK held its first Muslim literature and culture festival, MFest.

In line with content increasingly being streamed online, the Muslim world’s answers to ‘Netflix’ for children was launched, called Ali Huda, offering thousands of cartoons and edutainment programs in English and Arabic.

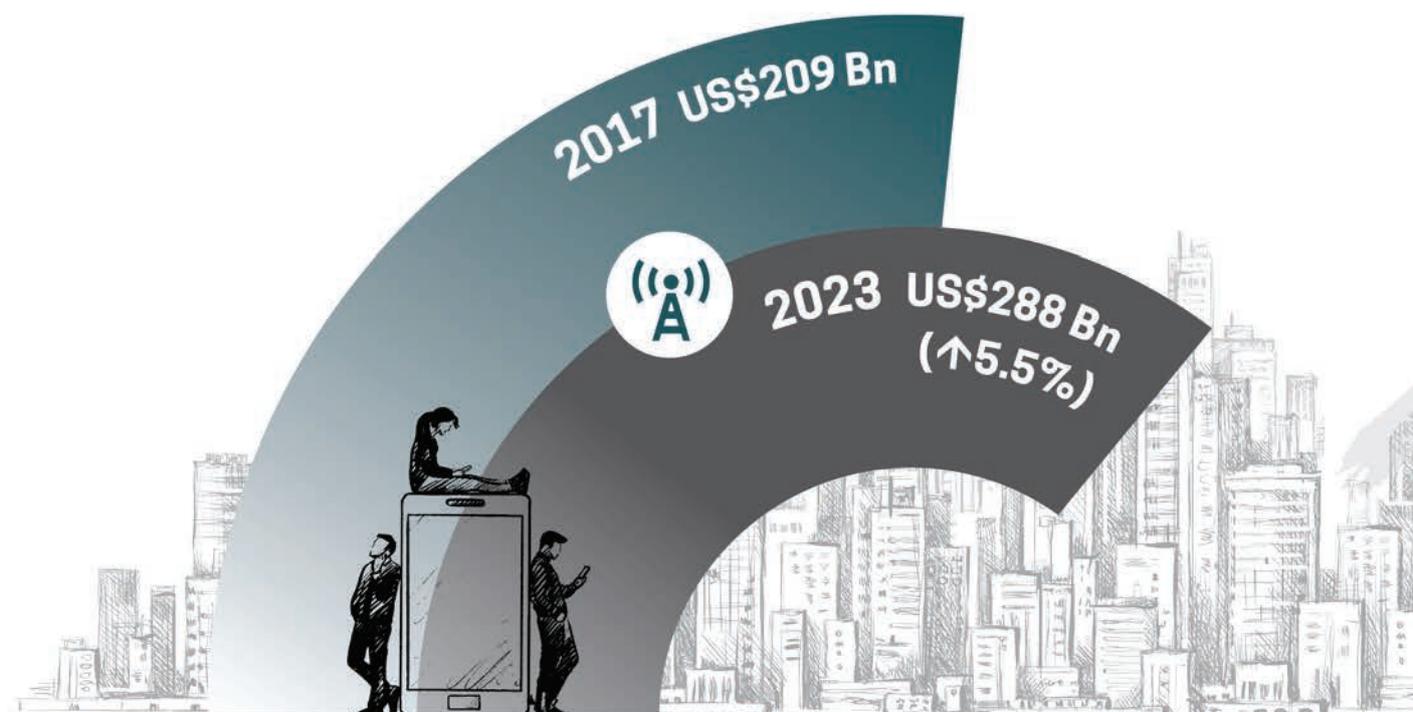
Such developments are being propelled by the fact that 54 per cent of Muslims will be under the age of 30 by 2030, presenting major opportunities for content producers that enter the segment.

Muslim spend on media and recreation was US\$209 billion in 2017, and is forecast to reach US\$288 billion by 2023.



# Halal Media & Recreation

## Total Halal Media Market Spending



### Key Drivers Today

#### 1 Notable Islamic Economy Investments in Halal Media

**US\$2.6 Mn**

#### 2 Significant Trade in Halal Media

EXPORTS (Thousands) **US\$2,775,460**

IMPORTS (Thousands) **US\$5,836,593**

#### OIC HALAL MEDIA IMPORTS BREAKDOWN (Thousands)



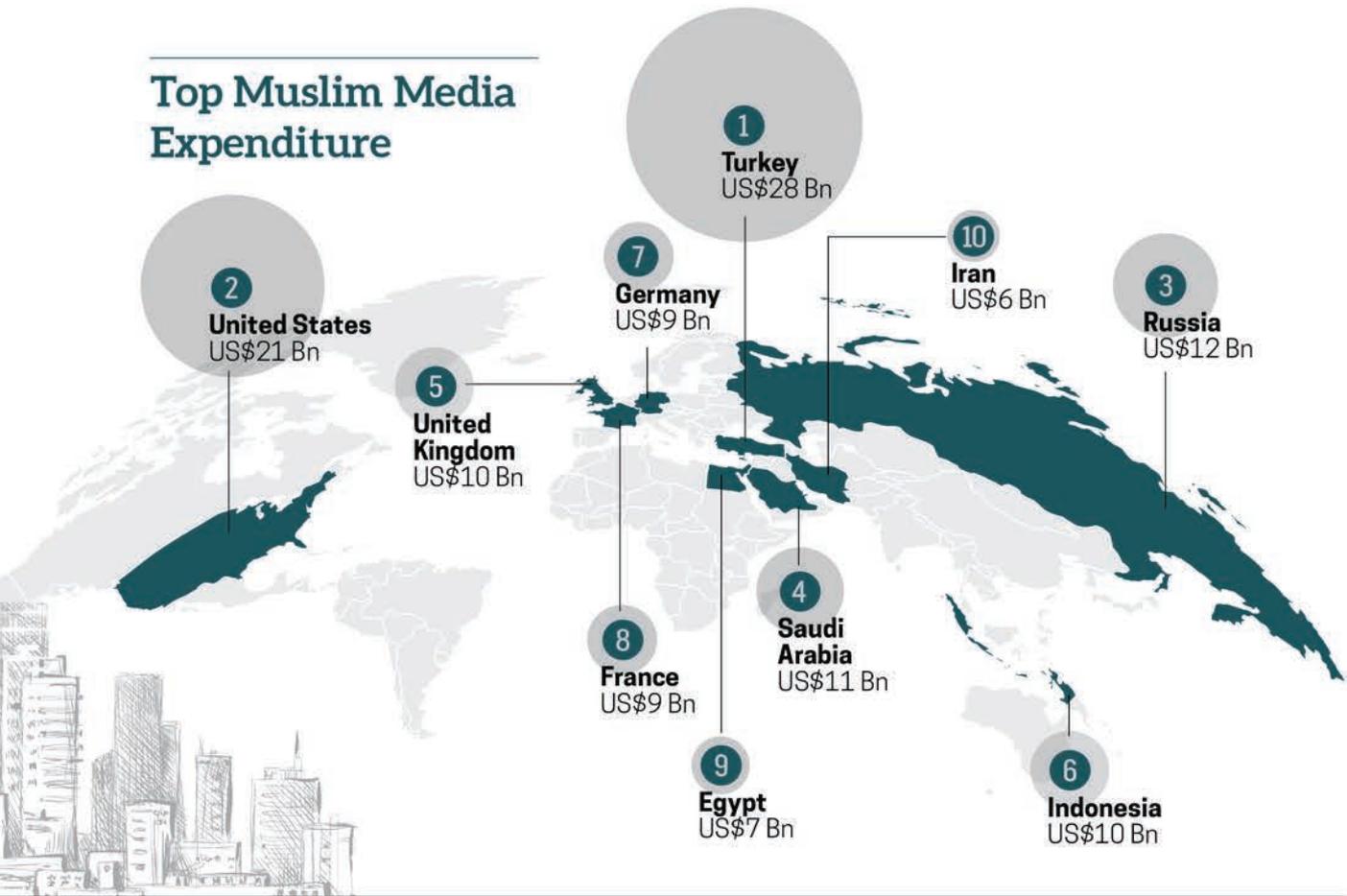
Photographic or cinematographic goods  
**US\$856,788**



Toys, games and sports requisites; parts and accessories thereof  
**US\$4,979,805**



## Top Muslim Media Expenditure



## Future Enablers

### 1 How Technologies Impact Halal Media Industry

-  Connectivity backbone

---

  -  Computation, decision & automation

---

  -  Power, matter & space

---

  -  The body
- High Impact   
  Moderate   
  Limited

### 2 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:



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# Key Developments in 2017/18

The OIC is emerging as a production powerhouse for halal media, with Saudi Arabia's entertainment reforms promising to open supply, as well as demand, for Islamic-themed content

OIC-native productions have exhibited strong performance, setting the scene for more Islamic-themed content from the region

- Netflix is developing its own series 'Jinn', producing in Amman<sup>114</sup>
- There has been a 40 per cent increase in demand for premium Arabic content in the Middle East between 2011 and 2014, while demand for Western content has dropped by 55 per cent
- Iflix makes a splash in Middle East with its first Arabic original 'Tough Luck'<sup>115</sup>
- Ertrugul, considered the Muslim world's answer to Game of Thrones, has gained traction around the world, shining a spotlight on the Ottoman empire<sup>116</sup>

Saudi Arabia's investments in entertainment will help galvanise demand for OIC-produced and Islamic-themed content, at a time when Western content is losing popularity

- Saudi Arabian movie incentives could produce a multibillion-dollar economic windfall, the country is encouraging production within the country, with incentives including a 35 per cent location rebate and a 50 per cent production rebate for any local talent employed<sup>117</sup>
- The country's allowance of cinemas creates a substantial potential market for Islamic-themed content, with 2,000 screens expected to be running by 2030<sup>118</sup>
- Saudi Arabia's O3 Productions, part of broadcast giant MBC Group, has announced a partnership with UAE firm Image Nation Abu Dhabi to co-finance and co-produce four Saudi films<sup>119</sup>

**Millennials are much alike in their push for on-demand and app-based services, driving both growth and innovation in, and supporting the investment case for, readily accessible Islamic-themed content**

New forms of creative expression continue to empower Muslims, especially Muslims living in minority

- Saudi's Hrakat Productions is entering into a partnership with a Japanese Anime Production company to create an anime series based on Islamic-themed Saudi Folklore<sup>120</sup>
- MFest, the UK's first Muslim literature and culture festival launched, bringing together Muslims and non-Muslims together to celebrate the religion's history and cultural accomplishments<sup>121</sup>
- Khidr, a British initiative, is a Zine giving young Muslims a platform to express themselves and discuss issues pertinent to Muslims in the West<sup>122</sup>

On-demand continues to gain prevalence among millennials viewing Islamic-themed content, with notable innovation in the children's segment in the past year

- Ali Huda launched in 2017, providing a range of Islamic-themed content on demand, available via subscription, for young children, supplementing existing solutions, such as Muslim Kids TV<sup>123</sup>
- Alchemiya, has sought to raise over GBP one million through Crowdcube, although it could not reach its target, it has gained traction globally, with 5,000 users in 40 countries, and is now pushing into Southeast Asia<sup>124</sup>

The creation of Islamic-themed heroes, as well as video game characters, helps reinforce the identity of younger Muslims

- Ms. Marvel, a new Muslim superhero character, is soon to be introduced into the Marvel Universe<sup>125</sup>
- David Anthony, of Scarlet Spire Comics, launched an 88-page comic book inspired by themes of social inequality in X-Men, is hoping to break down cultural barriers and remove the negative stigma surrounding Islam<sup>126</sup>

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Please refer to endnotes for citations.



Lifestyle apps continue to gain popularity, appealing to the increased mobile penetration among Muslims globally, presenting a strong investment case

- Marriage apps have continued to gain traction, with the UK-based Muzmatch securing GBP1.5 million from investors, led by Y Combinator and supported by Hambro Perks, and Minder, a comparable app, surpassing 250,000 downloads<sup>127</sup>
- Mindplus, building on previous experiences in Indonesia, has launched an Islamic education games app in Brunei, for children between ages four and 12, based on animations and quizzes<sup>128</sup>
- Ramadan Legacy has re-launched, offering a 30-day planner for help maximised spiritual rewards from Ramadhan, and allowing daily journaling and sharing<sup>129</sup>

**There is broader interest in Islamic-themed content, gaining the attention of filmmakers and producers around the world.** Some unexpected countries have shown strong interest in producing Islamic-themed content, with Islamic-themed movies being explored as a genre

- Participants at the 30th session of the International Conference of Latin American and Caribbean recommended creation of halal media for Latin American countries<sup>130</sup>
- 'The Message', a classic film on Islam starring Anthony Quinn produced in the 1970s, will get a 4K makeover, revitalizing interest in the religion<sup>131</sup>



# Opportunity



## Values-based content for Muslim children:

Relevant halal media represents a real opportunity, essential in equipping Muslim children with the right values



### ECONOMIC IMPACT

Potential demand for popular language\* Islamic children's media

**117 million** Muslim families could spend **US\$10 billion** globally



We see a strong demand for wholesome entertainment in the youth category based on Islamic values.

— Maruf Yusupov,  
CEO, Ali Huda, Inc.



**Children represent a critical and sizeable consumer segment within halal media.** Muslims are predominantly young, with 54 per cent of the population in Muslim-majority countries expected to be under the age of 30 by 2030, compared to 31 per cent of non-Muslims in more developed countries.<sup>132</sup>

**Recent, albeit provisional, progress has been made to develop attractive Islamic-themed content for children.** Numerous formats have been developed, albeit many are at an early stage

Subscription-based platforms have emerged in Europe and North America — notably Ali Huda, the 'Netflix' for Muslim children, with programs in English and Arabic, as well as Muslim Kids TV, with content reflecting successful formats seen in conventional shows such as Sesame Street

The development of Muslim cartoon heroes could become highly popular among Muslim children with the right marketing. However, the lack of concrete investments in the genre has limited the reach and impact, despite a substantial market opportunity

**The roadmap involves securing the right level of support and embarking on an ambitious expansion strategy**



#### 1. Develop a viable, scalable offering

- Conduct solid research to identify the market gaps and user needs — children's themed media very neatly solves the pain-points among parents — being able to instil the right Islamic values in their children
- Tell a powerful story about the impact you plan to have that can appeal to any investor — Alchemiya was able to do this very effectively in its first crowd-funding round in 2015

#### 2. Get the right level of support and prove viability pre-funding

- Obtain initial funding either through angel, personal or crowdfunding to prove viability by getting customers signed up and having a pilot
- Get the support of a startup incubator or foundry to help improve marketability

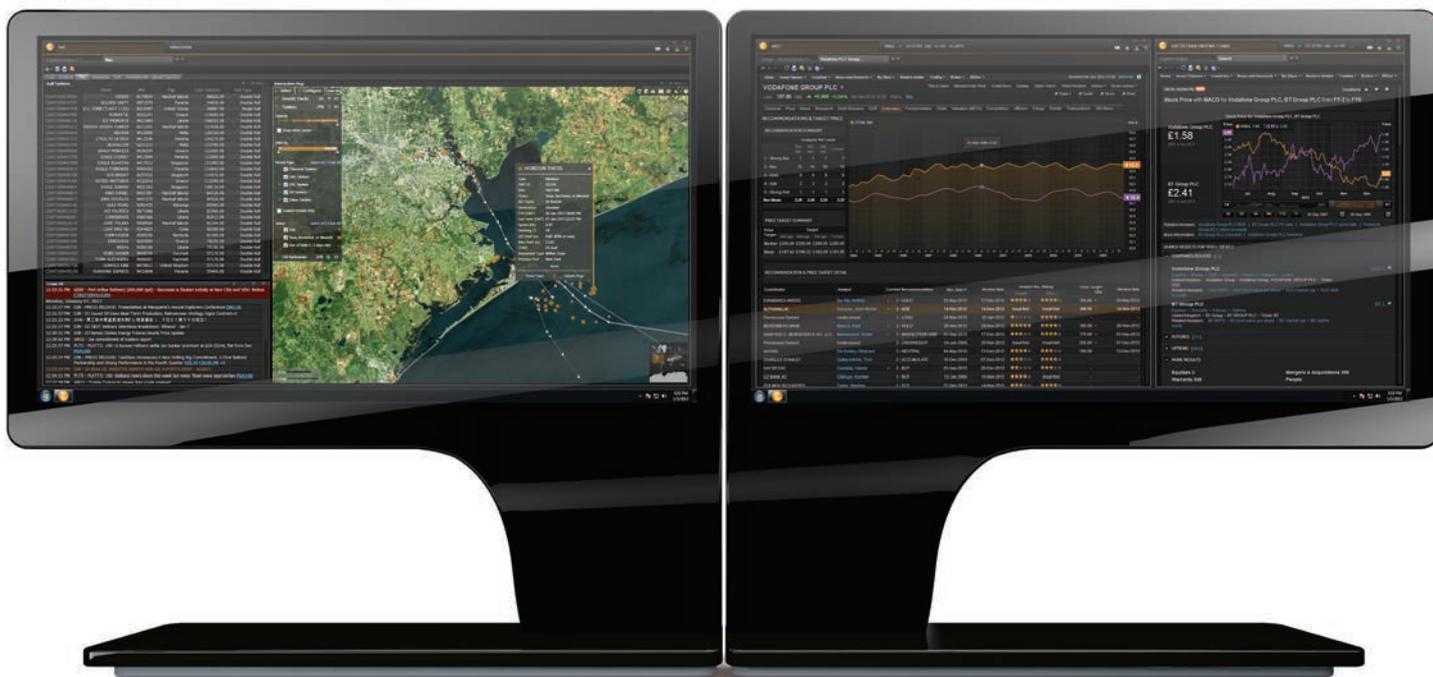
#### 3. Have a robust roadmap to go global and get funded

- Develop a viable expansion plan that allows for multiple languages and distribution
- Approach a broad set of investors — don't limit yourself to the OIC markets

\* Subscriptions for Ali Huda or comparable platforms providing English, Arabic or Bahasa language content



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# Challenge



**Funding gap:** The lack of investor interest in halal media limits the scale that new, innovative concepts can reach

**Despite strong fundamentals, halal media struggles to secure funding.** With Muslims spending US\$209 billion on media and recreation globally, and despite strong potential to create a multi-billion-dollar enterprise that complements offline Islamic education, the lack of investment is worrying

**Halal media could become a viable force for good, changing Muslim narratives especially in the west, but more funding is needed**

There is much to learn from other Abrahamic religions — Christian filmmakers set up their own studios and produced a number of successful films such as 'God's Not Dead (2014)', that gross tens of millions of dollars

The ecosystem of creative Islamic offerings is improving — across movies, children, game shows, and documentaries — going beyond traditional religious lectures. However, a very limited number have taken place, despite previous fund announcements, such as Abwab Capital in 2014/15. Alchemiya's struggle to raise US\$1 million in crowdfunding further highlights a challenge

**The roadmap to addressing the challenge requires the support of governments, incubators and investors**



## 1. Governments: Take the lead in kickstarting investor interest

- Governments need to invest appropriately in supporting halal media — this can be done through dedicated venture funds — those countries leading in the Islamic economy — especially the UAE and Malaysia — can play a critical role in creating multi-billion-dollar halal media enterprises with obvious economic benefits

## 2. Incubators: Step in and help polish

- Incubators and accelerators play a critical role in helping businesses polish their presentation and execution — the roles of such organisations will be more critical as more startups join the ranks of accelerator alumni

## 3. Investors: Broaden your horizons and spot the growth curve

- Investors that act earlier will reap huge rewards — regardless of whether investors are OIC or non-OIC — the scale of the Muslim market, demographic growth drivers and mission critical pain points make the sector highly attractive — a few success stories will substantially attract investor interest



Our initial investments have come from those in the community with strong affinity... We've also benefited from substantial grant funding but really need institutional funding to get to the next level.

– Micheal Milo, CEO, Muslim Kids TV



# Halal Pharmaceuticals



# Summary

**A** holistic approach to personal health and healthcare is a core tenant of Islam, but Muslims have struggled to adopt a halal-centric approach to preventative as well as reactive medicine due to the lack of an all-encompassing halal ecosystem.

This has contributed to major healthcare challenges in much of the Muslim world, evidenced in the growing phenomena of inoculation refusals over concerns about the halal status of vaccines. Change is afoot however, with the halal pharmaceutical ecosystem taking major strides forward over the past year.

At the preventative stage, Saudi Arabia's AJ Pharma has launched a polio vaccine that is animal-component free, and is to launch an inactivated polio vaccine in 2019. Such vaccines should help to counter refusals by Muslim and non-Muslim consumers that are concerned about the health risks of inoculations.

Also, at one end of the preventative spectrum is the growing range of halal nutraceuticals, vitamins and supplements on the market, while key players are focusing on formulations backed by science to enhance efficacy and consumer trust.

Such developments can be coupled with the newly conceived concept of halalopathy. An Islamic version of homeopathy, halalopathy combines religion and modern science, with a core emphasis on the purity — halal/tayyib — of the ingredients used in medicine and food to enhance a patient's recovery in line with their beliefs.

Knowing what halal pharmaceuticals to prescribe is a further necessary addition, with Malaysia's Halal Industry Development Corporation (HDC) currently compiling the first halal pharmacopoeia, while JAKIM is to introduce halal certification for medical devices, including liquids for dialysis machines.

The foundations for halal pharmaceuticals are becoming more solid, and will be bolstered by OIC countries expanding local pharmaceutical production, particularly the UAE, Saudi Arabia and Iran, while numerous joint ventures have been inked over the past year.

Muslim spend on pharmaceuticals was US\$87 billion in 2017, and is forecast to reach US\$131 billion by 2023.



# Halal Pharmaceuticals

## Total Halal Pharmaceuticals Market Spending



### Key Drivers Today

**1 Substantial Near-term Market Opportunity in Halal Pharmaceuticals**

**US\$99.6 Mn**  
Gelatin imports into the OIC region

by Islamic countries (OIC\*) 2017

**2 Significant Trade in Halal Pharmaceuticals**

**EXPORTS**  
(Thousands)

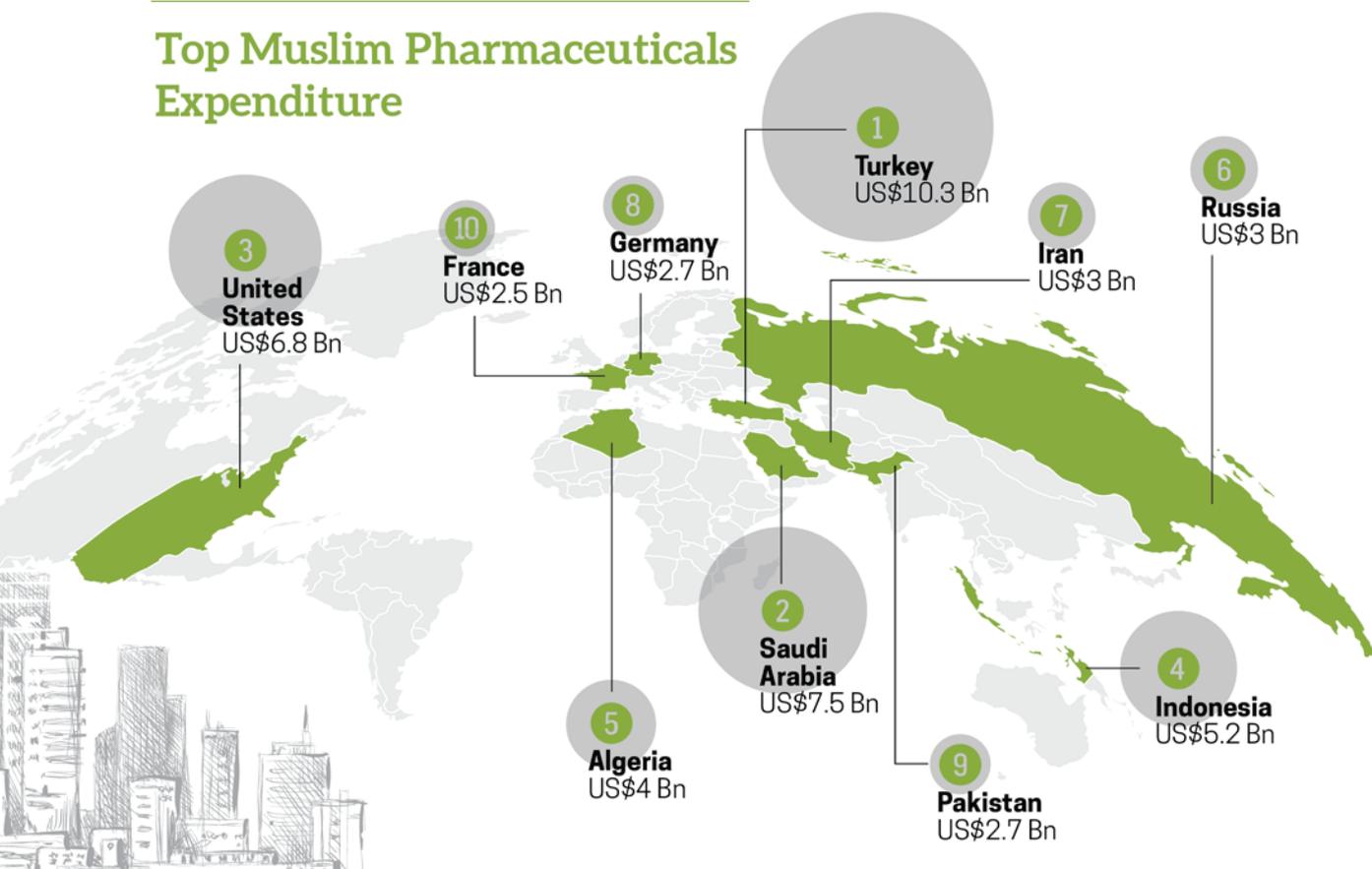
**US\$4,267,370**

**IMPORTS**  
(Thousands)

**US\$26,137,100**



## Top Muslim Pharmaceuticals Expenditure



## Future Enablers

### 1 How Technologies Impact Halal Pharmaceuticals Industry

	Connectivity backbone	
	Computation, decision & automation	
	Power, matter & space	
	The body	

High Impact   
 Moderate   
 Limited

### 2 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:



# Key Developments in 2017/18

## The UAE, Malaysia, Iran and Saudi Arabia are all vying to be leading OIC pharmaceutical producers

- The UAE inked a memorandum of understanding with Jafza, a DP World company, to attract more than 75 major pharmaceutical firms by 2021 and doubling the number of manufacturing facilities from 17 to 34. The agreement aims to attract investments of up to US\$544 million a year.<sup>133</sup>
- Saudi Arabia's Vision 2030 is encouraging the development of private-public partnerships to develop the localisation of the pharmaceutical industry to ensure adequate supplies.<sup>134</sup>
- The Iranian government aims to boost the ratio of domestically produced biopharmaceuticals to 75 per cent within five years. The US\$1.93 billion market is forecast to grow to US\$3.59 billion by 2025.<sup>135</sup>
- Pharmaniaga Bhd is to build Malaysia's second halal vaccine plant, following Saudi Arabia-based AJ Pharma's investment in a halal vaccine facility in the Southeast Asian region. A feasibility study for a plant in northern Malaysia is being carried out in conjunction with Technology Depository Agency Bhd (TDA) and New Delhi-based Hilleman Laboratories, with production to start by 2020/22.<sup>136</sup>

## Leaders in the pharmaceutical industry are increasingly attentive to the halal needs of Muslim consumers.

Joint ventures and partnership are improving knowledge-transfer and availability of halal pharmaceuticals, with notable alliances across Southeast Asia and the MENA region

- South Korean pharmaceutical companies are investing halal, most notably, Dong-A ST formed a partnership with Iran's Rooyan Darou to produce biopharmaceutical product Growtrop in 2019, the firm's second strategic partnership after inking an agreement with Indonesia's Combiphar in 2014.
- Furthermore, Ildong Pharmaceutical, which obtained Korea's first halal certification, has signed an agreement with Jordan's MS Pharma to provide antibiotics, hyaluronic acid-based products<sup>137</sup>
- Japan's MC Biotech, part of the Mitsubishi Corporation, is also seeking halal certification in Brunei to manufacture and sell products in the Sultanate.<sup>138</sup>

The growing number of ingredients' suppliers being halal certified is driving availability and development

- US-based BioCell acquired halal certification for collagen ingredients, used in finished products, from topical lotions to supplements. The US supplier's certification has followed in the footsteps of other major producers over the past few years, such as BASF and Nestle.<sup>139</sup>
- Green Biologics Inc., the US subsidiary of the UK-based Green Biologics Ltd., an industrial biotechnology and renewable chemicals company, got halal certification for bio-based n-butanol and acetone at its Little Falls, Minnesota facility.<sup>140</sup>

## Demand for preventative medicine as well as a more healthy and holistic lifestyle, driven in part by Muslim millennials in North America and Europe, is driving growth and expansion in halal medicine

Demand bolstering sales of halal nutraceuticals and vitamins

- Key players in the halal nutraceutical sector, such as the USA's Noor Vitamins, are focusing on formulations backed by science to enhance efficacy and consumer trust. Such a move has broadened market appeal beyond the Muslim consumer base.<sup>141</sup>
  - More pharmacies are becoming halal orientated. Malaysia's Guardian Pharmacy sought halal certification for its in-house products. The move follows dedicated halal pharmacies in New York and Australia.<sup>142</sup>
- New medicinal concepts are being explored, bringing science and religion together
- The concept of halalopathy was patented by Dr Jawad Alazeer of Zurich University and Director of the Swiss Scientific Society for Developing Countries. Halalopathic medicine is based on the principle of halal-tayyib.
  - Halalopathy represents any medicine derived from conventional or non-conventional therapies that combines the value of religion with the benefits of modern science, including epigenetics, to enhance personalised healing.<sup>143</sup>

Please refer to endnotes for citations.



**Malaysia and Indonesia are working to standardise the sector at the regulatory level, setting an important example for the rest of the world**

- Malaysia's Halal Industry Development Corporation (HDC) is developing the first pharmacopoeia of halal pharmaceuticals by 2020, aim to be a leading industry reference point<sup>144</sup>
- Malaysia's JAKIM is to introduce halal certification for medical devices, including liquids for dialysis machines. The certification is being developed the Department of Standards Malaysia, slated for introduction in the third quarter 2018.<sup>145</sup>
- Malaysia established the International Halal Authority Board (IHAB) to improve certification collaboration and harmonisation among certifiers, adding to the 69 certification bodies in 42 countries JAKIM recognises.<sup>146</sup>
- Indonesia's certifier MUI was replaced by the halal Certification Agency (BRJPH) with the aim of simplifying certification, removing fees for businesses, and bolstering legal certainty around halal products. MUI was replaced under Law No. 33/2014 on halal product guarantee in the lead-up to nationwide compulsory halal certification in 2019.<sup>147</sup>

# Opportunity



**Halal gelatine:** Expanding capacity to meet substantial and growing demand



## ECONOMIC IMPACT

**Core trade opportunity addressable by halal gelatine**

Gelatine imports into the OIC region were valued at **US\$99.6 million** in 2017.

Source: ITC calculations based on UN COMTRADE and ITC statistics



Muslim countries need to work together to coordinate gelatine supply and not waste bones and skin.

– Rozi Osman, halal pharmaceutical specialist (Malaysia)



**There is a real opportunity to satisfy a substantial global demand for halal gelatine where currently just 3 per cent is halal certified.**<sup>148</sup>

- Of particular concern to Muslim consumers it that 45 per cent of the 370,000 metric tons produced is porcine gelatine, the remainder sourced from cows and fish.
- Production is primarily from non-Islamic countries, with 78 per cent from Europe and the Americas, while the remainder is from China, India, Russia and Southeast Asia.<sup>149</sup>

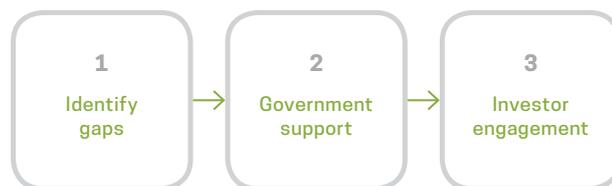
**There are promising developments in several leading OIC countries, but with substantial room for progress**

Saudi Arabia's AJ Pharma has invested in halal vaccine development in Malaysia, signalling the potential for joint ventures and tie-ups within the OIC.

Shanghai Al-Amin Biotechnology Co. (AminBio), one of China's major halal food producers, is to invest US\$24.6 million (RM100 million) in a Malaysian facility to produce 3,000 tons of halal gelatine per year.<sup>150</sup>

Malaysia, one of the top OIC pharmaceutical producers, had a halal gelatine shortage of 2,000 tons in 2017.<sup>151</sup>

**The roadmap for investors to creating a viable halal gelatine production offering involves a connected strategic plan that incorporates government and investor support**



- 1. Assess which markets face halal gelatine shortages:** Conduct solid research to identify supply and demand gaps, and identify with other companies are already investing to address the shortfall and where
- 2. Seek government support:** OIC governments are trying to develop domestic pharmaceutical production. Pitch halal gelatine as a viable part of the value-chain for government financial support. Further assess the potential for joint ventures with global producers to manufacture
- 3. Engage investors:** Approach a broad set of investors, with a clear value proposition to develop of bovine and fish halal gelatine, with broader expansion into vegetable-based gelatine.

# Challenge



**Costly certification:** The lack of global alignment on certification increases costs and can destroy value

**Inoculation refusal is a global phenomenon and is on the rise in Muslim-majority countries, posing the threat of epidemics.**<sup>152</sup>

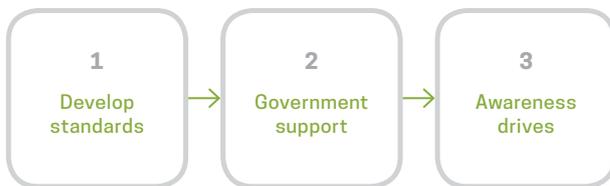
- This is partly due to the perceived prevalence of porcine gelatine in vaccines, with only two major companies manufacturing halal or animal-component free vaccines, Novartis and AJ Pharma.
- There's been a notable rise in inoculation refusal in certain Muslim-majority countries, such as Malaysia, due to doubts about halal compliance.<sup>153</sup>
- An estimated 19.9 million infants worldwide were not immunised in 2017, with a high percentage in Muslim-majority countries. Widely available halal vaccines could counter this problem.<sup>154</sup>

**If animal-component free vaccines are successfully marketed to Muslim and non-Muslim consumers alike, the sector could be worth US\$50 billion by 2020.**<sup>155</sup> **A challenge is the lack of government support and qualified halal certifiers.**

The OIC's Strategic Action Plan 2014-2023 called on states to increase cooperation in the fields of drugs and vaccines to eradicate diseases. The OIC also wants to expand its Vaccine Manufacturers Group.<sup>156</sup>

AJ Pharma has launched a polio vaccine that is animal-component free, and is to launch an inactivated polio vaccine in 2019. However, it has not been able to get halal certification due to the limited of halal standards.<sup>157</sup>

**The roadmap requires halal pharmaceutical standards and government support**



- 1. Certifiers and governments need to develop halal pharmaceutical standards:** Malaysia is developing a halal pharmaceutical standard, but it needs to be recognised globally with more cooperation between OIC governments and the private sector to develop the sector further
- 2. Pressure OIC governments to fund initiatives:** Government purchases are key to ensuring a return on investment for animal component free vaccines
- 3. OIC governments need to spearhead vaccine awareness drives:** Vaccination refusal is on the rise globally, and needs to be countered through public awareness campaigns and relevant investments.



When there's no animal component in vaccines, there is no inoculation reluctance.

– Dr Tabassum Khan, Managing Director of AJ Pharma Holding and Chairman of AJ Biologics



# Halal Cosmetics



# Summary

**M**uslims are taught that cleanliness and a good scent were extolled by the Prophet Muhammad (PBUH). The Prophet also taught Muslims to avoid ingredients that are non-religiously permissible: porcine, cochineal and non-halal slaughtered animals.

To cater to such requirements, cosmetics firms have developed halal lipsticks, creams, shampoos, breathable nail polishes and beard oils. The popularity of halal cosmetics among millennials in Northern America, Europe, the Middle East and East Asia has prompted more market entrants and the expansion of established players seeking global market share.

While no regional or global halal cosmetics brand has yet to emerge, the segment is poised for significant growth, with Muslim spend on cosmetics currently worth US\$61 billion in 2017, and forecast to reach US\$90 billion by 2023.

But the sector, which is dominated by small and medium-sized enterprises, does face challenges, notably from multinationals with halal lines in Muslim-majority countries that have large marketing budgets and strong retail presence.

Halal cosmetics brands also face both challenges and opportunities from another growing personal care segment: natural, organic and plant-based cosmetics. Consumers around the world are increasingly concerned about the ingredients in the products they use, giving rise to a trend for natural and ethically sourced products that do not harm the user or the environment. It is a trend that is potentially perfectly aligned with halal cosmetics.

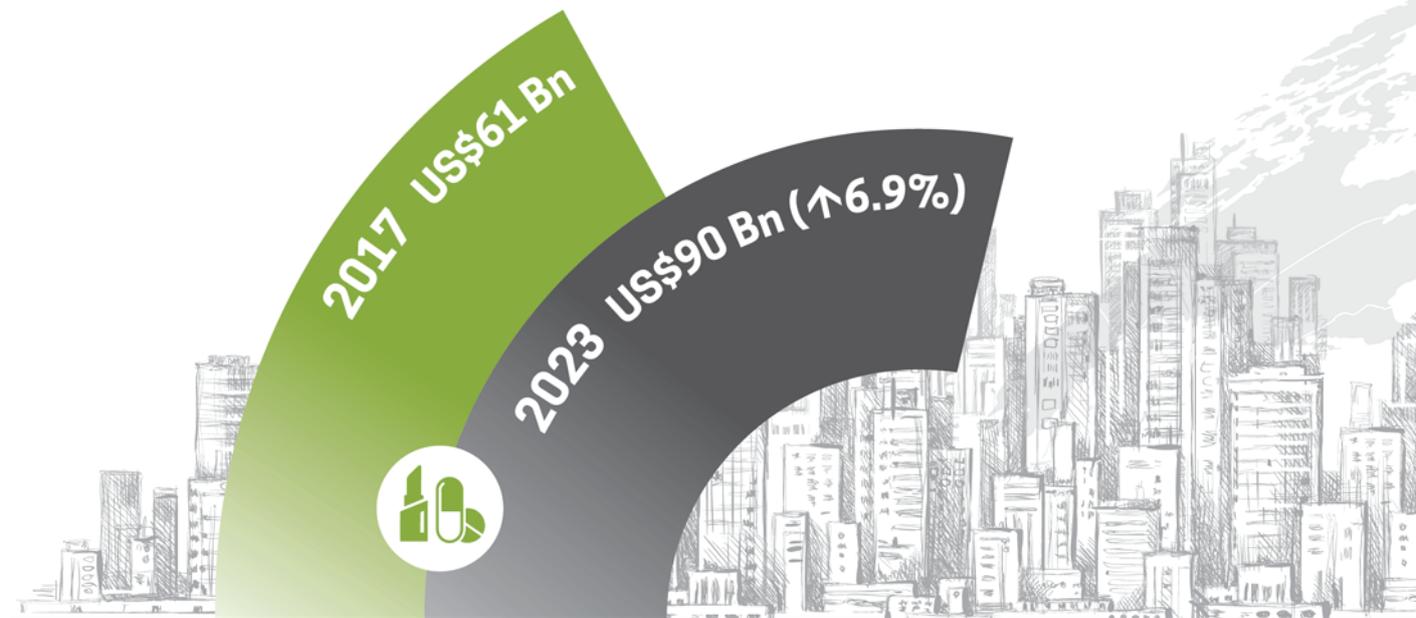
The risk is that natural personal care products could be easily halal certified as they do not contain haram ingredients, and as such present significant competition to halal-centric brands. This is evidenced in the strong sales of South Korean plant-based cosmetics to OIC countries.

However, halal cosmetics brands could ride this trend by using natural, organic or plant-derived ingredients, and consequently appeal to a wider consumer base. Indeed, some of the more recent breakthrough halal personal care brands have garnered multiple certifications while also mirroring the mainstream in terms of product offerings.



# Halal Cosmetics

## Total Halal Cosmetics Market Spending



### Key Drivers Today

**1 Substantial Market Opportunity in Halal Cosmetics**

**US\$25 Bn**

Potential demand for halal cosmetics with natural/organic/vegan certification

**2 Significant Trade in Halal Cosmetics**

**EXPORTS** (Thousands) **US\$4,062,675**

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**IMPORTS** (Thousands) **US\$9,745,902**

**OIC HALAL COSMETICS IMPORTS BREAKDOWN (Thousands)**

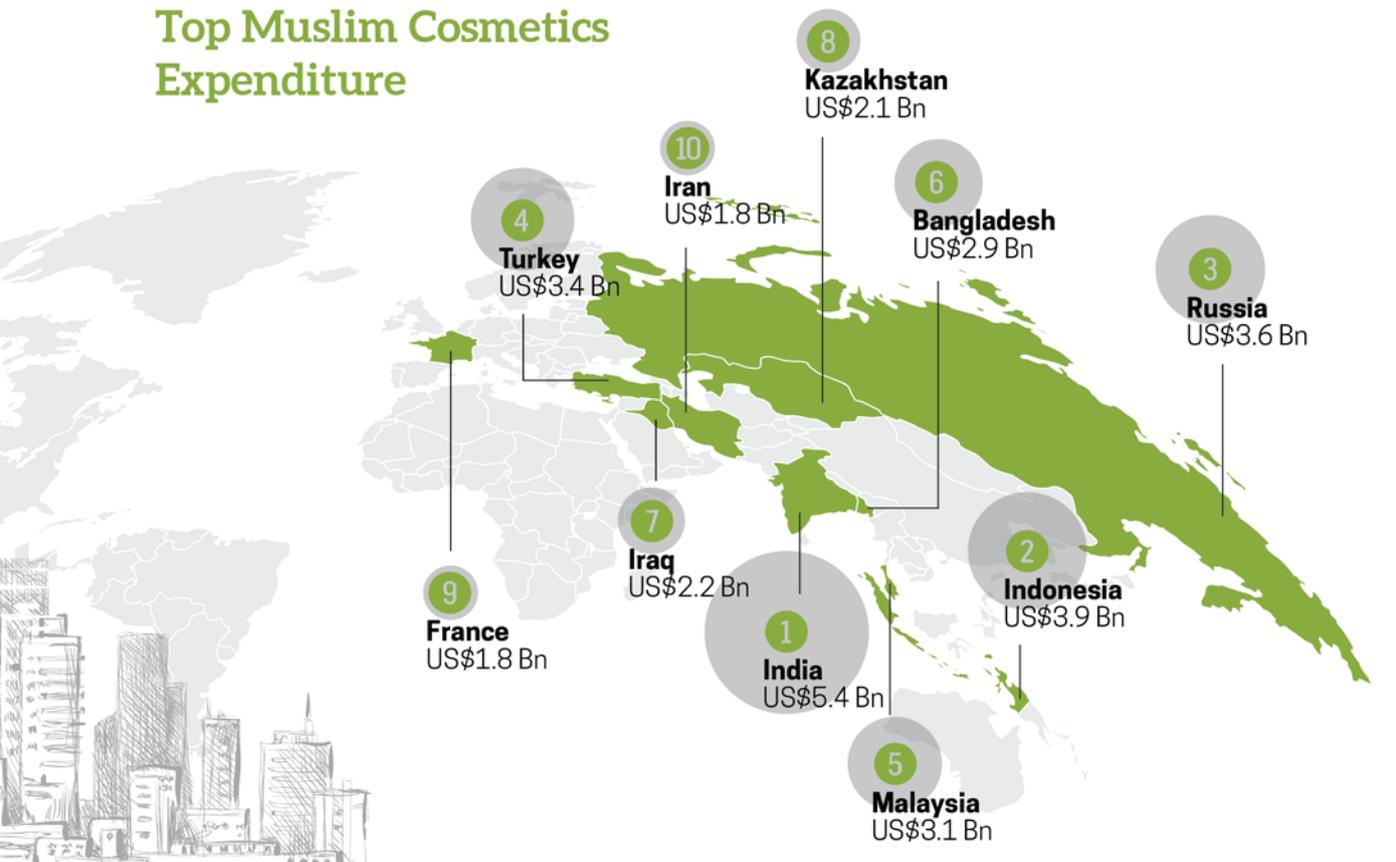
Essential oils <sup>1</sup> <b>\$489,334</b>	Perfumes & toilet waters <sup>2</sup> <b>\$2,070,600</b>	Beauty or make-up preparations <sup>3</sup> <b>\$3,417,237</b>	Preparations for use on the hair <b>\$1,815,485</b>	Preparations for oral or dental hygiene <sup>4</sup> <b>\$707,005</b>	Shaving preparations <sup>5</sup> <b>\$1,246,241</b>
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<sup>1</sup> whether or not terpeneless, incl. concretes and absolutes; resinoids; extracted ... / <sup>2</sup> (excluding aftershave lotions, personal deodorants and hair lotions) / <sup>3</sup> and preparations for the care of the skin, incl. sunscreen or / <sup>4</sup> incl. denture fixative pastes and powders; yarn used... / <sup>5</sup> incl. pre-shave and aftershave products, personal deodorants, bath and ...

by Islamic countries (OIC\*) 2017



## Top Muslim Cosmetics Expenditure



## Future Enablers

### 1 How Technologies Impact Halal Cosmetics Industry

- 
Connectivity backbone


---

  - 
Computation, decision & automation


---

  - 
Power, matter & space


---

  - 
The body

-  High Impact  
  Moderate  
  Limited

### 2 Ethical Opportunity in the Islamic Economy

Islamic Economy role in addressing SDGs:



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# Key Developments in 2017/18

## **New halal cosmetics companies continue to be launched, primarily startups clustered around the halal hubs of North America, the UK, Malaysia and South Korea**

- Halal-certified beard oils are on the rise, with the UK's Akhi Beards joining other startups like Double Sunnah and Elegance catering to Muslim men.<sup>158</sup>

## **Multinational companies continue to be reticent to enter the segment, with launches focused on Muslim-majority countries**

- Malaysia's Duck Group launched a halal cosmetics range, including lipsticks, eyeshadow, and creams.<sup>159</sup>
- South Korea's Beauarti, a halal cosmetics brand manufactured by C&B Global, has expanded its presence in Malaysia, a core market. The firm said that since launching in 2017, it has over 1,000 customers a month.<sup>160</sup>
- Unilever Indonesia launched the Pureline Hijab Fresh moisturiser line. Following its Sunsilk Hijab Recharge shampoo line in 2016, Unilever Indonesia is expanding its products portfolio catering to Muslim women, with an eye on exports.<sup>161</sup>

## **While no global halal cosmetics brand has yet emerged, major ingredients companies are increasingly halal certified, pointing to the emerging potential of the segment**

- The USA's Grant Industries gets halal certification for ingredients. The company produces over 350 products and 250 ingredients for the cosmetics industry.<sup>162</sup>
- Holland's Reverdia acquired halal certification for Biosuccinum S, a natural cosmetic raw material used in skincare, shampoos and as a bubbling agent.<sup>163</sup>
- Over half of Switzerland-based DSM's ingredients are halal certified.<sup>164</sup>
- Germany's Schülke, one of the world's largest ingredients producers, garnered halal certification for certain ingredients.<sup>165</sup>

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Please refer to endnotes for citations.



# Opportunity



**Halal cosmetics go natural:** Multiple certifications will widen the consumer base



## ECONOMIC IMPACT

Potential demand for halal cosmetics with natural/organic/vegan certification

**US\$25 billion** by 2025, reflecting the broader natural cosmetics market size



If major (South Korean) cosmetics firms get halal certification by 2020, maybe 50 per cent of all cosmetics in the OIC will be halal.

– Dr James Noh, Director-General of the Korea Institute of Halal Industry



### There is substantial opportunity in the broader organic personal care market that halal native companies can tap into

- Organic personal care spend is projected to grow at 9.5 per cent a year, and forecast to rise from US\$12.9 billion in 2017, to US\$25.11 billion by 2025.<sup>166</sup>
- Halal cosmetics can tap into this organic market but currently many companies exclusively target Muslims, missing out on a wider consumer base.<sup>167</sup>

### The success stories of cruelty-free, vegetarian and vegan cosmetics represent both a case study, as well as a threat for halal companies

Companies addressing the broader opportunity are experiencing substantial growth and presenting strong competition, notably exports of South Korean plant-based cosmetics to OIC countries increased by 21 per cent in 2017 on the previous year, to US\$131 million, with Malaysia accounting for US\$67 million.<sup>168</sup>

There is substantial interest to acquire natural cosmetics brands both among multinationals, such as P&G acquiring the Snowberry brand in 2018,<sup>169</sup> as well as by private equity firms, such as Hong Kong-based CITIC Capital China Partners acquiring New Zealand's natural skincare brand Trilogy for US\$211 million.<sup>170</sup>

### The roadmap to addressing the broader market opportunity requires halal companies to accommodate, obtain and market multiple certifications



- 1. Get multiple certifications and don't just focus on halal:** Get certified as natural/organic/vegan as well as halal certification to cover all the bases and analyse what appeals most in each market
- 2. Develop a marketing and retail plan:** With natural/organic and halal certification, cosmetics can be marketed at different trade fairs with a retail-centric strategy critical to sales
- 3. Develop roadmap to go global and use social media:** Develop a viable expansion plan that allows for multiple certifications, languages and distribution

# Challenge



## Halal cosmetics firms failing to upscale: Face competition and acquisition from larger players

**The halal cosmetics segment is dominated by small and medium-sized enterprises, with the sector at risk of remaining niche. No major halal brand has emerged regionally or globally, while multinationals have only launched limited halal lines.**

- The halal cosmetics sector, at US\$12.6 billion, accounts for around 2.3 per cent of the US\$532.43 billion global cosmetics market, which is forecast to reach US\$805.61 billion by 2023.<sup>171</sup>
- The challenge of limited scale is particularly acute in the Asia Pacific region, accounting for 73 per cent of new halal cosmetics products launched between 2014-2016, and 35 per cent of global revenue share in 2016.<sup>172</sup>

**The sector faces competition from companies that are in expansion mode, in particular South Korean companies, that can compete more effectively with bigger advertising budgets and established distribution**

If the Amore Pacific Group, South Korea's largest cosmetics manufacturer with annual revenues of over US\$4.6 billion, gets halal certification for its under-construction factory in Malaysia by 2019/20, other Asia Pacific players would follow suit.

Indonesia requiring mandatory halal certification for products in 2019 could be the trigger for major brands to get certified.

Many halal cosmetics companies have a lot of promise, but limited investment to date poses a challenge for the smaller companies that are overrepresented in the landscape.

**The roadmap requires a global concerted effort to develop and articulate an exponential value proposition and secure venture funding**



- 1. Get the right advice and differentiate yourself in the market:** Halal startups that have succeeded have emulated the mainstream market in terms of production offerings but differentiated themselves through being halal certified and having multiple certifications, such as being organic.<sup>173</sup>
- 2. Join a business accelerator:** Business accelerators enable companies to make the leap from startup to fully fledged business and provide the foundations for future expansion.
- 3. Get further investment or consider involvement with a larger player:** Seek out further funding to expand market share and go global — look beyond OIC countries for funding



Halal is becoming more accepted, and niche brands are becoming mainstream but it needs money for marketing, to get people attracted to the brand.

— Charlene Laville,  
Founder, Nizz Cosmetics



# Acknowledgements



مركز دبي لتطوير  
الاقتصاد الإسلامي  
DUBAI ISLAMIC ECONOMY  
DEVELOPMENT CENTRE

## Dubai Islamic Economy Development Centre

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. The Dubai Islamic Economy Development Centre (DIEDC) was established in December 2013 to make Dubai the 'Capital of Islamic Economy', as envisioned by His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai. The DIEDC is equipped with the financial, administrative and legal tools to promote economic activities compatible with Islamic law in Dubai's goods and financial services sector, as well as the non-financial sector. In this capacity, it will conduct research and specialist studies to determine the contribution of Shariah-compliant activities to the emirate's gross domestic product, and explore how to extend this contribution to boost the economy. The DIEDC is also mandated to create new products and lines of service to law firms specializing in finance structuring.

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## DinarStandard

DinarStandard™ is a growth strategy research and advisory firm empowering organisations for profitable and responsible global impact. DinarStandard specialises in the halal/tayyib food, Islamic/Ethical Finance, halal travel, Islamic NGOs and OIC member country sectors. Since 2008, DinarStandard has been advising organisations globally on market expansion, business/investment strategy, and innovative marketing strategies. Its clients include global multinationals, Islamic financial institutions, halal market startups and NGOs.

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# Report purpose and methodology



## Report context, purpose and objectives

### CONTEXT

The 2018-19 *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 countries<sup>1</sup> of the world represent over \$19.4 trillion in 2017 in PPP terms, just under 10 per cent of global GDP. Furthermore, Muslims in total represent a 1.8 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 370 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 also conducted with 41 individuals.

<sup>1</sup> *Islamic Development Bank Group in Brief*. Islamic Development Bank. 2017.

## Interviews and Focus Group Discussions

 <p><b>HALAL FOOD</b></p>	 <p><b>ISLAMIC FINANCE</b></p>	 <p><b>HALAL TRAVEL</b></p>	 <p><b>MODEST FASHION</b></p>	 <p><b>HALAL MEDIA AND RECREATION</b></p>	 <p><b>HALAL PHARMACEUTICALS AND COSMETICS</b></p>
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## 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.

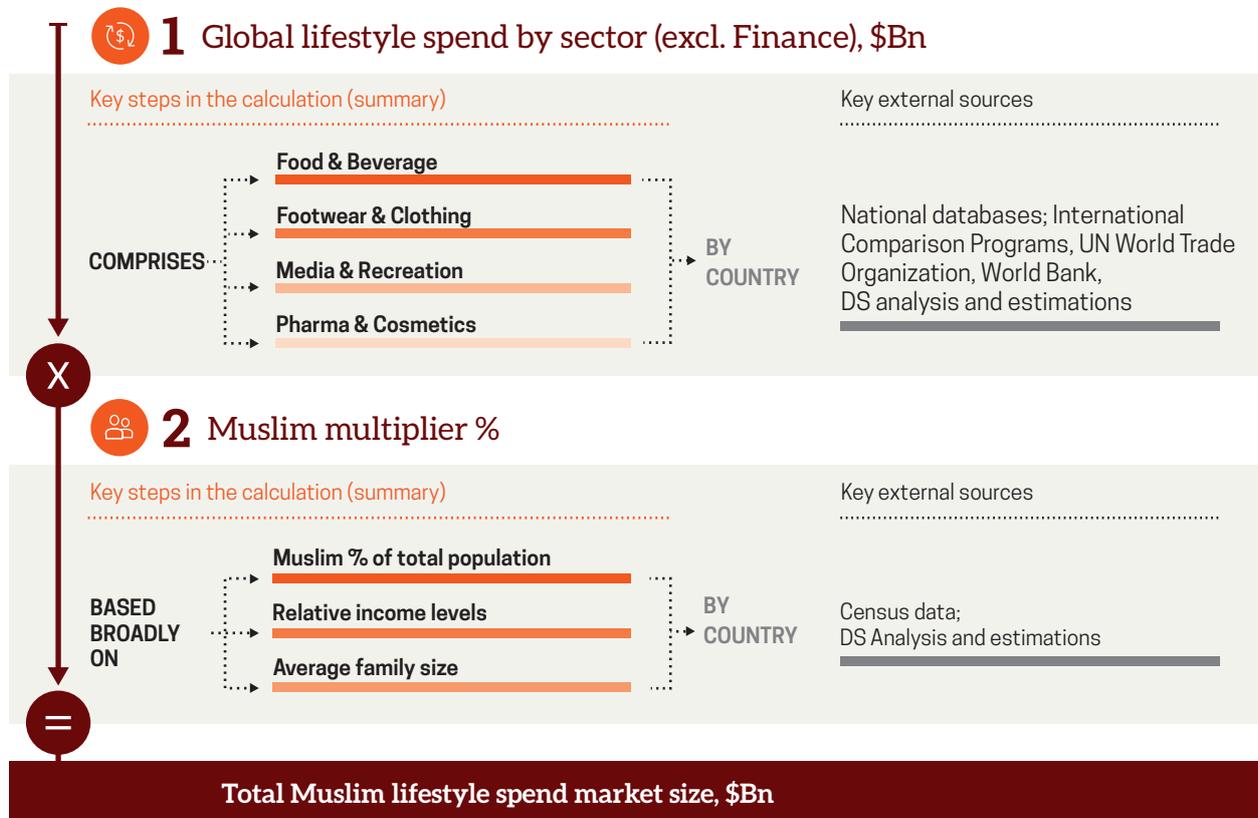
### 2. Universe market sizing: The value of Muslim spend across lifestyle sectors by country was developed by applying proprietary Muslim multiplier to global sector-level market sizing data.

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 markets<sup>2</sup> and 100 per cent Muslim demographic penetration.<sup>3</sup>

## METRICS USED TO CALCULATE MUSLIM SPEND ON INDIVIDUAL SECTORS

MUSLIM MARKET	GLOBAL SPEND METRIC, BY COUNTRY	SOURCES USED
<b>Muslim spend on food and beverage</b> <b>Muslim spend on apparel and footwear</b> <b>Muslim spend on media and recreation</b>	Spend on food and non-alcoholic beverages Spend on clothing and footwear Spend on culture and recreation	Baselined from latest International Comparison Program values (2011), adjusted to more recent values from national statistics agencies and GDP evolution
<b>Muslim travel spend</b>	Spend on outbound travel	2015 UNWTO (World Tourism Organization) and World Bank data
<b>Muslim spend on pharmaceutical and personal care products</b>	Spend on pharmaceuticals and cosmetics	National statistics agencies, industry associations

## UNIVERSE MARKET SIZING METHODOLOGY OVERVIEW



<sup>2</sup> OIC countries.

<sup>3</sup> Based on DinarStandard analysis. Note that Global assets data is from 72 countries representing over 85 per cent of the global GDP.

**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.

#### NOTE ON REVISIONS

There was a revision to Global Muslim market projections for 2023, which appear slightly lower than previous 2022 projections. This is mainly due to a downward revision for Indonesia's Muslim spend across sectors in 2017, coupled with lower global growth projections.

### Global Islamic Economy Indicator Methodology

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.

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### COUNTRY LIST

<u>MIDDLE EAST</u>	<u>ASIA-PACIFIC</u>	<u>ASIA</u>	<u>AFRICA</u>	<u>AMERICAS</u>	<u>EUROPE</u>
Bahrain	Australia	Afghanistan	Algeria	Canada	Albania
Iran	Brunei	Azerbaijan	Benin	Brazil	France
Iraq	Darussalam	Bangladesh	Burkina Faso	Guyana	Germany
Jordan	China	India	Cameroon	United States	Italy
Kuwait	Indonesia	Kazakhstan	Chad		Switzerland
Lebanon	Malaysia	Kyrgyzstan	Comoros		United Kingdom
Oman	Singapore	Maldives	Djibouti		Turkey
Palestine	Thailand	Pakistan	Egypt		
Qatar		Russia	Gabon		
Saudi Arabia		Sri Lanka	Gambia		
Syria		Tajikistan	Guinea		
United Arab Emirates		Turkmenistan	Guinea-Bissau		
Yemen		Uzbekistan	Ivory Coast		
			Kenya		
			Libya		
			Mali		
			Mauritania		
			Mozambique		
			Morocco		
			Niger		
			Nigeria		
			Senegal		
			Sierra Leone		
			Somalia		
			South Africa		
			Sudan		
			Suriname		
			Tunisia		
			Togo		
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