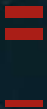


FINANCE > FOOD > FASHION > TRAVEL > MEDIA AND RECREATION > PHARMACEUTICALS > COSMETICS

2019/20

State of the Global Islamic Economy Report

DRIVING THE ISLAMIC ECONOMY
REVOLUTION 4.0



PRODUCED BY:

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Executive Summary



The State of the Global Islamic Economy Report is now in its seventh Annual Edition and shines an ever-strong spotlight on the 1.8 billion Muslim consumers around the world.

This year's Report estimates that Muslims spent US\$2.2 trillion in 2018 across the food, pharmaceutical and lifestyle sectors that are impacted by Islamic faith-inspired ethical consumption needs. This spending reflects a healthy 5.2% year-on-year growth and is forecasted to reach US\$3.2 trillion by 2024 at a Cumulative Annual Growth Rate ("CAGR") of 6.2%. In addition, Islamic finance assets were reported to have reached \$2.5 trillion in 2018.

With notable developments this past year, the Islamic economy has established an increasingly important footing in the global economy, driven by increasing Muslim consumer demand for dedicated products and services based on Islamic law that has developed the global sub-sectors of halal (permissible) food, cosmetics and pharmaceuticals, Islamic financial services, modest fashion, Muslim-friendly travel, and Islamic-themed media. Global growth is underpinned by **10 key drivers** that include high growth and affluence among Muslim populations, increasing adherence to ethical values, continued engagement by global multinationals and investors, and a growing number of national strategies dedicated to halal products and related opportunities.

Several countries have taken the lead in establishing robust ecosystems, with Malaysia leading this report's **Global Islamic Economy Indicator (GIEI)** followed by the United Arab Emirates (UAE), Bahrain and Saudi Arabia. Amongst the big movers in this year's GIEI, Indonesia rose from tenth place in 2018 to fifth place this year, driven by robust initiatives to boost economic growth through developing a dedicated Islamic economy strategy. Meanwhile, Turkey moved up two ranks in aggregate ranking.

National strategies are driving substantial developments in the Islamic economy, be it Saudi Arabia's Vision 2030, or the Philippines launching a new halal logo to spur exports, to the South Korean government supporting the development of halal cosmetics and pharmaceuticals. Indonesia's launch of the Islamic Economics Masterplan (MEKSI) 2019-2024 and the Indonesia Halal Economy Report (by IHLC) is set to be a major game changer for halal

products, with the country of 270 million people set to require mandatory halal certification. While a universally accepted halal standard is still proving to be elusive, steps continue to be taken to improve certification and standards, notably in food, pharmaceuticals and cosmetics in addition to countries agreeing to mutually accept halal standards.

This year's report highlights the current and potential social impact of each of the Islamic Economy sectors, in line with the **United Nations (UN)'s Sustainable Development Goals (SDG) for 2030**. Islamic social financing through Zakat and Sadaqah (forms of Islamic philanthropy), have gained the major attention of global multi-lateral institutions including the World Bank, UNHCR and UNESCO. Admittedly there is still much room for development, but addressing SDGs is an important way forward for the Islamic economy, so as to develop in a forward thinking and ethical manner.

Investments play an important role in driving substantial growth across the Islamic Economy, and over the past year, there has been major developments. \$1.2 billion was invested globally in Islamic economy companies, reflecting a growth of 399% on comparable transactions across halal products, Islamic lifestyle and Islamic finance compared to the prior year. This figure reflects a broad span of corporate-led acquisitions, venture investments in Halal-tech startups, and private equity investment. Halal products garnered the lion share of investments, accounting for 54% of deal value, followed by Islamic finance at 42%, and 4% in Islamic lifestyle, mainly in modest fashion and Muslim-friendly tourism. Halal pharmaceuticals, cosmetics and Islamic-themed media, although attracting investment, lag behind.

Halal Food has seen a major evolution in the past year, driven by technology and the development of halal hubs. Apps are linking consumers with halal restaurants and brands while a new halal traceability platform connects the entire supply chain from producers to auditors and certifying bodies. At the macro level, the UAE and China have inked a \$1 billion agreement for a food manufacturing and processing plant in Dubai, while Indonesia aims to launch an \$18 million Halal Lifestyle District. Muslim spend on Food and Beverage was valued at \$1.4 trillion in 2018 and forecast to reach \$2.0 trillion by 2024.



Islamic finance has kept pace with the rapid changes in the market, adopting fintech, cryptocurrencies, and digital banking, while companies and governments are increasingly issuing sukuks (Islamic financial bonds), including green sukuks. Yet while fintech is taking Islamic finance to the next level, recent growth is still solidly based on traditional banking services and products. The Islamic finance industry was estimated to be worth \$2.5 trillion in 2018 and forecast to reach \$3.5 trillion by 2024.

Muslim-friendly tourism, which addresses the faith-based needs of Muslim travelers, is more widespread than ever before, with offerings ranging from beach resorts to family-oriented hotels, and from travel agencies to apps that book and rate a vacation. Over the past year, numerous online travel agencies have emerged with a new focus on Saudi Arabia's expanding Umrah and broader tourism market, attracting the most investment in the Muslim-friendly travel markets. OIC governments' plans to bolster tourism revenue are further driving investment in the sector, whether in Malaysia or Indonesia, or in Turkey and Saudi Arabia. Muslim spend on travel was valued at \$189 billion in 2018 and is forecast to grow to \$274 billion by 2024.

Modest fashion has had a stellar year, with dedicated fashion shows occurring around the world, new brands emerging and heightened investment in online portals. Online modest fashion retailer Modanisa sold a minority stake estimated at \$15 million to Goldman Sachs and Wamda Capital to fund expansion, while Dubai-based online retailer The Modist attracted investment, and New York fashion brand Haute Hijab secured financing to create the world's first digital-native Muslim cultural lifestyle brand. Muslim spend on apparel and footwear is estimated to be worth \$283 billion in 2018 and is projected to grow to \$402 billion by 2024.

Halal pharmaceuticals are poised for major growth as farsighted companies invest in the segment and acquire halal certification, especially in Malaysia, Indonesia and South Korea. Meanwhile OIC governments are pushing the creation of halal vaccines and medicines. Muslim spend on pharmaceuticals was \$92 billion in 2018 and is projected to grow to \$134 billion by 2024.

Halal cosmetics is a further growth area. New brands are launching while e-commerce retailers are expanding offerings and attracting investment. Halal cosmetics brand SimplySiti is planning to list on the Malaysian stock exchange while Kuwait-based Boutiquaat, a cosmetics and fashion ecommerce start-up, has doubled its valuation to \$500 million following funding from a Gulf-based investment firm. Muslim spend on cosmetics is estimated at \$64 billion in 2018 and is forecast to reach \$95 billion by 2024.

Halal media and recreation has a growing portfolio of offerings, spanning movies, mini-series and online content, to apps aimed at Muslim lifestyle needs. Mainstream studios and streaming platforms, such as Netflix, are adapting and creating new content to appeal to Muslim viewers while Islamic cultural values are being developed for children across numerous platforms. Muslim spend on media and recreation was \$220 billion in 2018 and is forecast to reach \$309 billion by 2024.

While investments in, and the development of, the Islamic economy reached new heights this past year, there is still much to be done. For that reason the report provides a roadmap for all stakeholders, spanning private investors, entrepreneurs, regulators and governments, on how best to take the sector forward, benefit substantially, and help realize the potential of an economy that can serve 1.8 billion Muslims as well as the ethical needs of billions of other people from different faiths and ways of life.

"...the Islamic Economy has established an increasingly important footing in the global economy..."



The Global Islamic Economy



CONSUMER OPPORTUNITY



\$2.2 TRILLION
spending



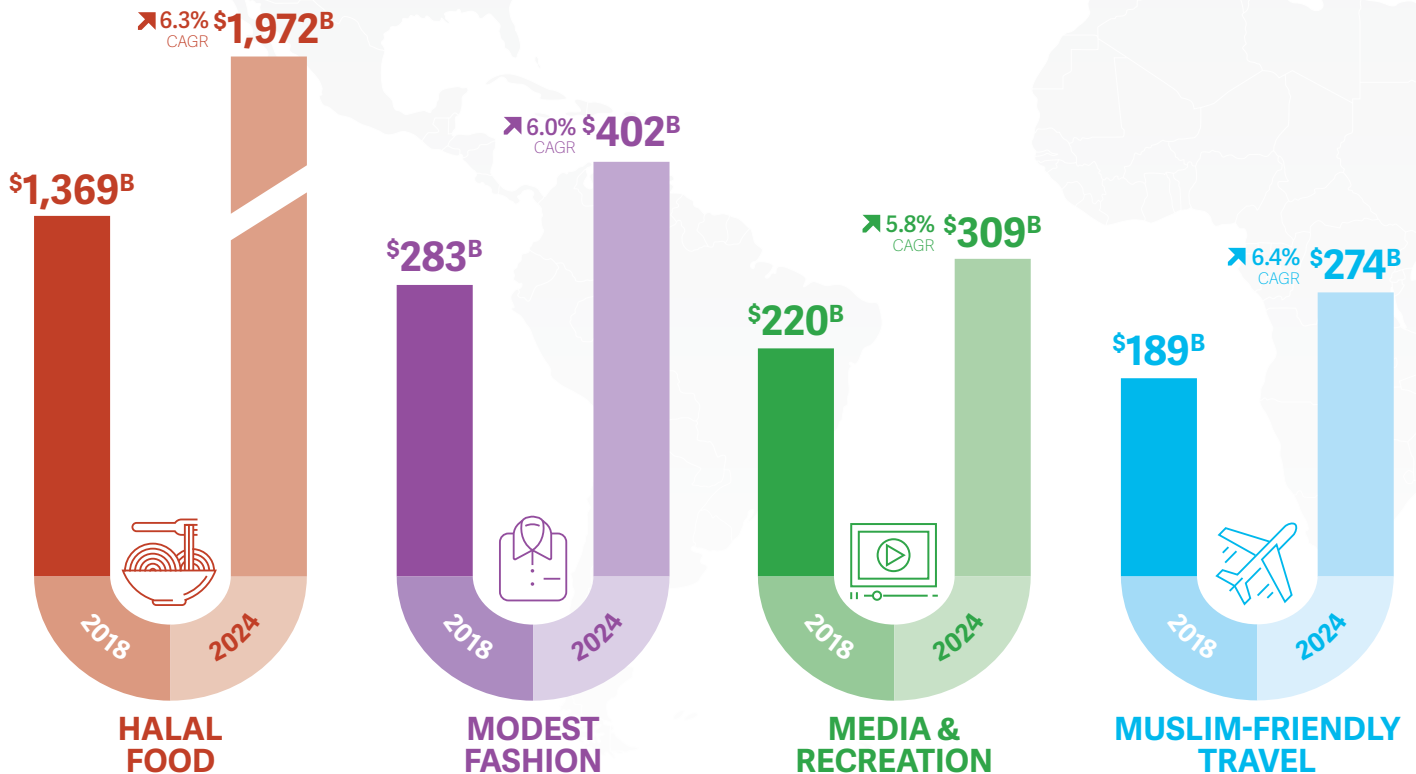
5.2% year on year
growth by



1.8 BILLION Muslims
across



6 real economy
sectors



GOVERNMENT OPPORTUNITY

\$254 billion of Halal products trading (2018) in which OIC* economies can experience **1-3%** boost in GDP.



BUSINESS OPPORTUNITY

Businesses can feasibly generate **\$1 billion+** in revenues across all sectors.

GLOBAL ISLAMIC ECONOMY INDICATOR RANKING

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

2020 HOT SECTORS FOR GROWTH



Halal Ingredients
Meat-based Meals and Snacks



Islamic Fintech
Islamic Trade Finance



Umrah Travel Tech
Luxury Modest Clothing

All estimates by DinarStandard Research & Advisory except for Islamic Finance sector provided by Refinitiv Islamic Finance Indicators data 2018 (IFI). DinarStandard Muslim market estimates & analysis. Projections were determined by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, showing high correlation. IMF Outlook Oct 2018 Database for baseline projections. OIC= Organization of Islamic Cooperation 57 member mostly Muslim-majority

Projected CAGR growth **6.2%** 2018-24 to

\$3.2 TRILLION by 2024

PLUS **\$2.5 TRILLION** of Islamic Finance assets (2018 est.)

5.5% CAGR **\$3,472^B**

3.5% year on year growth

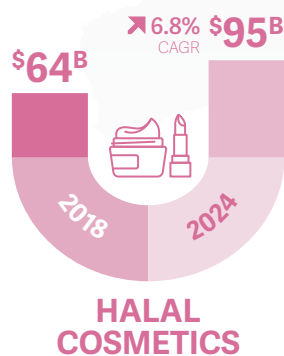
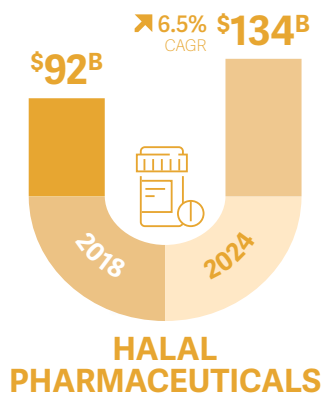
1,396 # of Islamic Financial Institutions

\$466^B value of outstanding sukuk

\$105^B value of Islamic funds

\$2,524^B

ISLAMIC FINANCE (ASSETS)

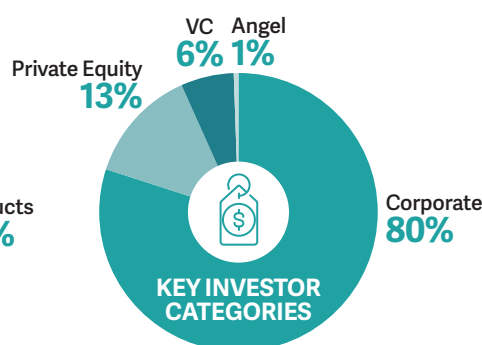
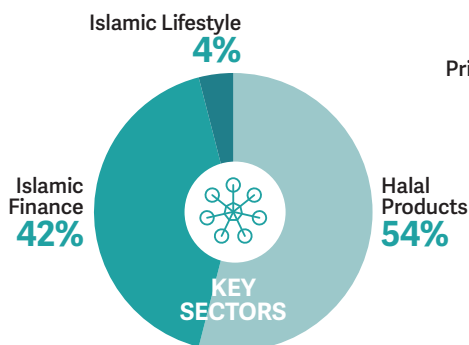


INVESTOR OPPORTUNITY

Despite 399% year on year investment growth, IE deal value remains far below potential.

\$1.2 BILLION Investments in 2018/19*

399% Year on year growth



FUTURE ENABLERS

\$3.2 TRILLION in OIC sovereign wealth assets

\$2 TRILLION in dry powder*

\$11.3 TRILLION in Islamic wealth

countries. Halal and related products exports based on ITC Trademap 2018 data; Investments (figures and individual deals) are based on a detailed scan of the Zephyr database between 2018 and 2019; Enablers data, if shown, is based on Sovereign Wealth Institute (SWF Assets); the 2019 Bain Private Equity Report (Dry Powder), and Bloomberg News (2016)

Global Islamic Economy Key Drivers

Muslim consumers globally, while culturally diverse and geographically distributed, drive a cohesive two-trillion-dollar market opportunity across a range of lifestyle products and services, impacted by Islamic faith-inspired ethical needs, and collectively known as the "Islamic Economy."

Introduced in 2013, this report defines Islamic economy as **"sectors whose core products/ services are structurally affected by Islamic ethics and law,"** driving the faith-inspired ethical consumption needs of the 1.8 billion¹ Muslim consumers worldwide.

This Islamic economy, also referred to as the halal economy, directly impacts the following seven sectors: food (halal), finance (Islamic), clothing (modest), tourism (Muslim-friendly), media and recreation (Islamic-themed), pharmaceuticals (halal) and cosmetics (halal). Other sectors include education (Islamic-themed) and philanthropy (zakat, waqf, sadaqah, other) which will be covered in future editions of this report.

The core sectors of the Islamic economy represent an aggregate consumer spend opportunity of \$2.2 trillion in 2018, projected to grow to \$3.2 trillion by 2024, with Islamic Finance assets estimated at \$2.5 trillion in 2018, and projected to grow to \$3.5 trillion by 2024. The spend figures reflect Muslim consumer spend on the broader lifestyle sectors, spanning Food & Beverage,

Pharmaceuticals, Cosmetics, Clothing, Travel and Media and Recreation, of which specific spend on Halal-certified products, Modest Clothing, Muslim-friendly travel and Islamic-themed media are sub-sets, and not quantified in this report.

The consumers of the Islamic economy are primarily Muslims but also include others outside the Islamic faith who share similar values. The specific consumer practices influenced by Islamic values include the consumption of halal (lawful) food, Islamic financing, modest clothing, family-friendly tourism, as well as other services with special considerations on gender interactions and religious practices. The demand also extends to business practices that seek Islamic business financing, investment and insurance services. The Islamic economy as a collective is creating value for consumers and the economies involved. It also has a major potential to contribute to the global well-being through its underlying socially-conscious ethos.



1. Derived for 2018 from 2010 baseline and 1.5% growth estimated by: *The Future of the Global Muslim Population*. Pew Research Forum, 2011, Accessed August 8, 2016.

In this report we will define and present the seven large and rapidly maturing Islamic economy sectors, underpinned by ten key drivers.

We will show how the latent demand for these Islamic economy products and services extends across the globe. We will showcase the already burgeoning ecosystem of businesses that are starting to serve this market and we will also present the large gaps and opportunities that exist in this market.

However, before we present these findings, it is important to understand the key drivers shaping this growing global Islamic economy.

Across the four key stakeholders – consumers, businesses, governments and investors – there are ten drivers shaping the global Islamic economy – as consumers seek to spend more on lifestyle products and services that address their faith-inspired ethical needs, as governments in predominantly OIC (Organization of Islamic Cooperation) countries seek to diversify their economies, as businesses seek new avenues of growth, and as investors seek to boost returns through exploring new high-growth opportunities.

SURIA SHOPPING MALL, KUALA LUMPUR, MALAYSIA.
IMAGE CREDIT: NOPPASIN WONGCHUM / SHUTTERSTOCK.COM



Core Drivers of the Islamic Economy

Consumers



GROWING POPULATION:
2.2 BILLION MUSLIMS BY 2030

INCREASING AFFLUENCE:
GDP PER CAPITA MUSLIM (OIC)
COUNTRIES GROWING AT 4.3%
CAGR TO 2024

INCREASING RELIGIOUS AFFINITY:
76% OF MUSLIMS CONSIDER
RELIGION TO BE "VERY IMPORTANT"

DIGITAL CONNECTIVITY:
MUSLIM (OIC) COUNTRIES REPRESENT
15 OF THE TOP 50 COUNTRIES FOR
SMARTPHONE PENETRATION

ETHICAL CONSUMERISM:
66% OF CONSUMERS WILLING TO PAY
MORE FOR ETHICAL PRODUCTS

INTERNATIONAL
DRIVERS/SECTORS

COMMUNITY DRIVERS



Businesses



MULTINATIONAL GROWTH:

58% OF CEOs SURVEYED ARE RETHINKING THEIR BUSINESS MODELS AND LOOKING FOR NEW GROWTH AVENUES

Governments



ECONOMIC DIVERSIFICATION AND DEVELOPMENT:

ONLY TWO OF 57 OIC COUNTRIES ARE IN THE TOP 25 GLOBAL ECONOMIES WITH 224 MILLION PEOPLE MALNOURISHED IN OIC COUNTRIES

HALAL TRADE:

OIC IMPORTED \$184 BILLION IN FOOD AND BEVERAGE, WITH INTRA-OIC TRADE LOW AT \$34 BILLION

REGULATIONS:

HALAL REGULATION LACKS GLOBAL ALIGNMENT AND FALLS BEHIND GLOBAL BENCHMARKS

Investors



INVESTOR RETURNS:

\$2 TRILLION IN PRIVATE EQUITY DRY POWDER SEEKING HIGH GROWTH INVESTMENT OPPORTUNITIES

INTRA-OIC FROWTH TARGETS

Consumers are increasingly demanding halal, ethical products, driving a dedicated business ecosystem...

Growing population	The global Muslim population is expected to grow from 1.7 billion in 2014 ² to 2.2 billion by 2030 (+29.4%), according to the Pew Research Center's Forum on Religion & Public Life, growing at about twice the rate of the non-Muslim population, with an average annual growth rate of 1.5% for Muslims and 0.7% for non-Muslims. ³
Increasing affluence	Muslims globally are becoming more affluent, with total OIC GDP projected to grow at 6.2% compound annual growth rate (CAGR) by 2023, compared to projected global growth of 5.8% CAGR, with GDP per capita growing at 4.3% CAGR. ⁴
Increasing religious affinity	Globally, Muslim consumers are increasingly pushing for halal products and services, with a Pew Research Center survey in 2011 of over 38,000 Muslims⁵ finding that 76.3% of Muslims consider religion to be 'very important' and 96% of Muslim travelers consider halal food to be critical based on a 2016 COMCEC survey.⁶ Across regions, halal is an important dietary restriction to 48% of consumers in the Middle East and Northern Africa (MENA) region, 12% in the Asia Pacific, and 1 to 4% across other regions, according to a Nielsen Survey,⁷ driving an ecosystem of start-ups addressing their needs. While Muslim consumers are not homogenous in their religious preferences, with varying shades of adherence, there is broader push for lifestyle products and services to better address faith-inspired needs.
Digital connectivity	With 15 of the top 50 countries ranked according to smartphone penetration ⁸ being OIC countries, a demand for practical, digital Islamic finance solutions is emerging, driving a robust ecosystem of digital Islamic solutions spanning Islamic finance, halal food and products, modest fashion and Islamic lifestyle.
Growing role of ethical consumerism	The Islamic Economy sectors address the broader ethical needs of non-Muslim consumers. Ethical considerations are becoming increasingly important for all consumers with 66% of consumers willing to pay more for higher priced, ethical products, ⁹ giving rise to halal organic brands such as Saffron Road, and ethical micro-finance platforms such as Ethis Crowd and Blossom Finance, that serve a broader segment of ethical consumers.

Businesses are under pressure to maintain growth momentum by entering new markets...

Multinationals continue to drive Islamic economy's global appeal	Consumer Packaged Goods (CPG) businesses around the globe are actively seeking new avenues of growth, facing sluggish growth in brick and mortar sales in recent years,¹⁰ as well as a broader existential threat from new business models, with 58% of respondents in a global survey conducted by KPMG of 530 CEOs indicating that they are rethinking their business models.¹¹ Such pressures are driving companies to enter new markets and undertake acquisitions, with merger and acquisition (M&A) deals in 2017 among the top 50 consumer goods companies globally jumping 40% to a 15-year high.¹² The increasing participation of multinationals in the global halal food industry, led by sizeable companies such as Nestlé, Cargill, BRF and Abbott, signals the important role of the Islamic economy in driving growth for businesses of all sizes.
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2. Derived from 2010 baseline and 1.5% growth estimated by: *The Future of the Global Muslim Population*, Pew Research Forum, 2011.

3. Ibid.

4. World Bank.

5. According to a Pew Research Center survey in 2011 of over 38,000 Muslims in the Middle East, North Africa, Southeast Asia, South Asia, Central Asia, Sub-Saharan Africa, and Southeastern Europe.

6. According to the Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation, *Muslim*

Friendly Tourism: Developing and Marketing MFT Products and Services In the OIC Member Countries, Ankara: COMCEC Coordination Office, 2016 report, a global online consumer survey of 1,120 Muslim travelers indicated that 'for restaurants, the most important service is the provision of Halal food options (96%), followed by serving Ramadan meals and having all food at facility be Halal (85% each) and having modestly clothed staff and no alcoholic drinks at restaurants/food outlets (81%).

7. The Nielsen *Global Health and Ingredient-Sentiment Survey* in 2016 is based on 30,000 respondents in 63 countries.

8. Dubai Islamic Economy Development Centre. *Islamic Fintech Report 2018 Current Landscape & Path Forward*. Dubai: DIEDC, 2018.

9. McCaskill, Andrew. *Consumer-Goods' Brands That Demonstrate Commitment to Sustainability Outperform Those That Don't*. Nielsen. October 12, 2015.

10. Smith, Taylor, Goulet, Kaelin, & Hoo, Sonya. *How CPG Companies Can Catch Up as Online Sales Take Off*. BCG. February 22, 2019.

11. Ellett, Linda J. *Growth among consumer goods companies continues to slow*. KPMG. June 14, 2018.

Governments of countries with significant Muslim populations are seeking new avenues of economic growth and diversification...

OIC-wide push for economic diversification and local champions

OIC governments are seeking to boost GDP growth and diversify their economies, increase foreign direct investment (FDI), and develop global Consumer Packaged Goods (CPG) champions, with Malaysia, UAE and Indonesia setting the tone for developing national Islamic economy strategies.

Economically, there is substantial room for improvement for OIC countries, with Saudi Arabia and Turkey currently the only OIC countries in the top 25 global economies.¹³ Many OIC countries fall behind in achieving development objectives, with 28 OIC countries ranking among the world's 54 low-income food-deficit countries (LIFDCs), as defined by the UN Food and Agriculture Organization (FAO),¹⁴ with the average number of undernourished people in OIC countries in 2015-2017 totaling 223.4 million.¹⁵

Despite notable success stories in food and beverage, particularly Malaysia attracting \$2 billion in investments from leading multinationals in its halal parks,¹⁶ investment in the OIC countries remains low, at below 7% of global FDI flows in 2017.¹⁷

Furthermore, there is a lack of globally competitive food and beverage companies from the OIC. Of the 44 food and beverage processing companies within the Global 2000, Saudi Arabia's Almarai was the only food and beverage company from the OIC, with \$3.7 billion in revenues and a valuation of \$6.2 billion.¹⁸

Boosting intra-OIC trade

The OIC group of countries is overall dependent on food imports and countries within the OIC are seeking opportunities to trade with each other, notably with efforts to establish improved trade, notably through working towards a trade preferential system.¹⁹ OIC food exports in 2018 totaled \$117.2 billion versus food imports of \$184.2 billion, creating a food-pertinent trade gap of almost \$67 billion.²⁰

OIC food imports from OIC member countries accounted for \$34 billion, constituting only 18% of the total food imports in 2018. This highlights the region's import dependency on non-OIC countries.²¹

Regulations

While the standard of global halal regulation has fallen short of global benchmarks, OIC governments are increasingly scrutinizing the halal integrity of products imported into OIC countries, increasingly requiring halal certification of ingredients, led by top OIC consumption markets, including but not limited to Indonesia, Malaysia and Saudi Arabia.²² The regulation of certifiers is also intensifying with the increasing accreditation of international certifiers, led by UAE-based Emirates International Accreditation Centre (EIAC).²³

Investors are under immense pressure to deploy record amounts of capital and sustain high returns...

Seeking higher returns, Islamic economy a growing area of interest

There is substantial pressure among institutional investors to deploy funds raised. While private equity deal values increased in 2018, intense competition and rising asset prices reduced deal count by 13% to 2,936 worldwide in 2018. At the same time, uncalled capital has hit a high of \$2 trillion in December 2018 across all fund types.²⁴ The Islamic Economy represents a strong opportunity to invest in high-growth businesses and build globally scaled companies across each of the Islamic Economy sectors. As highlighted in the Islamic Economy Investments section, there is strong momentum now on investments across the Islamic economy sectors from food, finance to lifestyle categories and by all levels of investors – corporate, VC's, Private equity and sovereigns.

12. Cheng, Andria. *CPG Giants, Desperate For Growth, Seek Out Once-Unthinkable Tie-Ups And Push M&A To 15-Year High*. Forbes. July 18, 2018.

13. *Projected GDP Ranking (2019-2023)*. Statistics Times. April 2, 2018.

14. *Archive of Activities - 2016*. Statistical, Economic and Social Research and Training Centre for Islamic Countries. Accessed October 3, 2019.

15. FAOSTAT Online Database – Includes OIC countries where data is available and exact data figures are given.

16. Hamzah, Hamidon. *Halal Parks and Halal*

Incentives In Malaysia. Selangor: Halal Industry Development Corporation, 2013.

17. Standing Committee for Economic and Commercial Cooperation of the Organization of the Islamic Cooperation, *COMCEC Trade Outlook*. Ankara: COMCEC Coordination Office, 2018.

18. *Search Global 500*. Fortune. Accessed October 3, 2019.

19. *Syllabus of the Online Subject: Trade Preferential System among the Member States of the Organisation of Islamic Cooperation (OIC)*. EENI Business School & HA University. Accessed October 3, 2019.

20. *ITC Trade Map*. International Trade Centre. Accessed October 3, 2019.

21. Ibid.

22. *Resolving the current inefficiencies in the global regulation of Halal Food*. Salaam Gateway. April 13, 2016.

23. Evans, Abdalhamid. *Latest regional initiatives in halal standards and accreditation: a step towards harmonization?* Salaam Gateway. September 5, 2015.

24. *Global Private Equity Report 2019*. Bain & Company. Accessed September 15, 2019.

The Global Islamic Economy Indicator



BACKGROUND AND CONTEXT

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

In its sixth year, the Islamic Economy Indicator evaluates the leading national ecosystems for supporting Islamic economy business 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. The Indicators are weighted across sectors relative to their size with Finance and Food getting the highest weightage.





Country	GIEI	Islamic Finance	Halal Food	Travel	Fashion	Media & Recreation	Pharma & Cosmetics
Malaysia	111	147.9	74.3	95.5	35.6	64	60.6
UAE	79	70.7	91.5	72.7	95.2	86.6	81.3
Bahrain	60	78	42	26	20.7	47	51
Saudi Arabia	50.2	57	50	35	15	33	45
Indonesia	49	54	47	52	37.9	17	42
Oman	48.7	51	54	34	25	36	45
Jordan	47.2	53	43	42	23	34	58
Pakistan	45	47	55	17	24.5	11	45
Kuwait	45	51	45	17	11.0	41	45
Qatar	44	47	47	28	11.3	54	43
Brunei	40	35	53	30	11	44	49
Sudan	39	31	66	34	8	18	36
Turkey	36	23	52	72	50	31	48
Iran	35	30	52	20	10	26	52
Bangladesh	33	36	31	21	32	9	33

LEADING COUNTRIES

Malaysia and the UAE continue to lead the GIEI, followed by Bahrain and Saudi Arabia. Meanwhile, Indonesia has seen a substantial rise in ranking from tenth place in 2018 to fifth place this year, underpinned by robust initiatives to boost economic growth through developing a dedicated Islamic economy strategy. Within the top 15, Turkey moved up two ranks in aggregate ranking.



MALAYSIA

Malaysia remains the leader in the GIEI and continues to strengthen its Ecosystem for Islamic Economy Businesses.

The country has developed world-class regulation, driving new initiatives to accredit halal certifiers worldwide, granting the first Islamic fintech crowdfunding license²⁵ and launching a new certification scheme for Muslim friendly hospitality.²⁶ Trade agreements signed with China and Japan, underpinned by a strong attraction of international businesses at the integral Malaysia International Halal Summit, or MIHAS, event, have strengthened Malaysia's role in international halal trade.

Malaysia has also further strengthened its investment ecosystem through an increased focus on the Digital Islamic Economy in the backdrop of bilateral meetings with China, important investments in local halal companies, such as The Chicken Rice Shop by a Japanese investor,²⁷ and a strong signal of intent from CIMB Islamic Bank Bhd to increase lending to SMEs.²⁸



UNITED ARAB EMIRATES

The UAE has benefitted from Dubai's Capital of the Islamic Economy initiative, strengthened by numerous trade initiatives, regulatory leadership and robust Islamic finance activity.

Against the backdrop of a broader push to develop a leading innovation-driven economy, the UAE has continued to strengthen its Islamic economy ecosystem, positioning itself as a central hub in the trade of Islamic economy products through signing trade and investment agreements with China totaling \$3.4 billion, which includes an agreement to create a \$1 billion food manufacturing and processing facility in Dubai,²⁹ cooperation agreements with Bosnia and Herzegovina,³⁰ and the establishment of a dedicated global Halal Trade and Marketing Center being hosted at Dubai Airport Freezone Authority (DAFZA).³¹

The UAE has also built on its role in halal accreditation through the Emirates International Accreditation Center (EIAC), spearheading an integrated Arab system for mutual recognition of halal certificates, to boost halal trade across the MENA region.³² The country has further benefited from investment activity in Islamic finance, notably through the merger of Abu Dhabi Commercial Bank with Union National Bank and its acquisition of Al Hilal Bank.³³



BAHRAIN

Bahrain remains a leading global center of Islamic finance, with Bahrain's finance institutions gaining global scale and prominence, underpinned by a robust drive toward digitization.

Bahrain's Islamic financial sector has seen substantial investment and consolidation activity, notably through Mubasher Finance Services' acquisition of a majority stake in Al Safwa Islamic Finance services and Kuwait Finance Houses merger with Al Ahli Bank.

Bahrain has also seen a push towards digitization in the Islamic finance sector, underpinned by the launch of Bahrain Fintech Bay in the previous year, and in the current year the launch by Bahrain Islamic Bank of the first full-fledged digital bank.³⁴



SAUDI ARABIA

Saudi Arabia has substantial potential to lead the Islamic economy as defined in this report, having undertaken substantial economic initiatives as part of Vision 2030, with notable developments across tourism, halal products and finance.

The kingdom of Saudi Arabia has historically played a central role in the Muslim world, and the kingdom has a substantial role to play in the Islamic economy across all sectors.

The country took transformational and unprecedented steps in this past year to fully open itself to international tourism, through announcing an e-visa system for 49 countries,³⁵ and investing substantially to develop the kingdom for tourism, including \$20 billion to develop al-Ula as a tourism hotspot.³⁶ With the Ministry of Hajj and Umrah having signed memorandums of understanding with leading online booking companies to digitize religious pilgrimage travel, the country is positioning itself centrally in the Muslim-friendly tourism marketplace.

The country has also signaled its clear intent at MIHAS to become a leading producer and exporter of halal products. Saudi Arabia has also taken important steps to become a leading center of Islamic finance, with notable consolidation activity, with the merger of SABB and Alawwal creating the third largest bank in the country.³⁷ The country also seeks to galvanize localized media content through seeking to hold an annual film festival³⁸ and the establishment of Yalla Yalla Film and TV Company.³⁹



INDONESIA

Indonesia has seen a substantial rise in its ranking from tenth place in 2018 to fifth place in 2019, underpinned by a robust drive to strengthen its halal economy across all sectors.

Indonesia undertook the important step of launching its Halal Economy Masterplan 2019-2024 through its recently established National Shariah Finance Activity, with the central goal of boosting the role of Islamic finance in driving economic growth.⁴⁰ This plan strengthens cumulative efforts to boost the country's role in halal tourism, and further develop a robust ecosystem of companies spanning halal food and products, modest fashion, and Islamic finance.

The Masterplan has underpinned broad, ambitious initiatives, recommending four strategic steps, with the goal of making Indonesia a major producer in the global halal industry by 2024. Notable initiatives that fall under the scope of the plan include the launch of the Halal Lifestyle District, a 21,000 square meter industrial park with an investment of \$18 million.⁴¹ The Muslim Fashion Project (MOFP), which includes competitions and incubation for fashion start-ups, a road map for Muslim fashion industry development. An estimated 656 small and medium industries and 60 designers are involved.⁴²

25. Whitehead, Richard. Malaysia gives first Islamic fintech crowdfunding licence. Salaam Gateway. May 17, 2019.

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28. Syed Jaafar, Syahirah. CIMB Islamic aims to help local halal players scale globally. The Edge Markets. February 25, 2019.

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30. Dubai, Bosnia To Promote Halal Industries In Europe. Zawya. December 29, 2018.

31. DAFZA and DIEDC launches first of its kind Halal Trade and Marketing Center. Salaam Gateway. October 31, 2018.

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PROMISING COUNTRIES

As the Islamic economy gains more awareness, more countries, particularly from the OIC, would be expected to develop dedicated strategies, with notable examples including Uzbekistan, which has sought to increase international access to its economy, and Nigeria, which has substantial natural resources and agricultural potential. We highlight below two countries that have a particular advantage in the Islamic economy and that could gain substantial footing in the GIEI in future.



PAKISTAN

Pakistan has maintained its position in the top 10, with important developments across food and finance, and with substantial potential as a halal production and innovation hub.

Pakistan has a sizeable Muslim population, with substantial strategic investments to develop its ports, and has broadly seen substantial developments in establishing a technology-driven ecosystem.

The country saw important investment activity, with Cargill, a global leader in halal manufacturing, committing to a \$200 million investment in Pakistan to produce a range of products, including edible oils and animal feed,⁴³ which could position the country as a leading producer and exporter of halal products.

The Islamic finance sector has also attracted investment, with Pakistan-based Meezan Bank raising \$58.6 million from foreign institutional investors. As the country strengthens its infrastructure and venture ecosystem, its Islamic economy ecosystem shows substantial promise.



TURKEY

Turkey has risen in the ranking to eighth place and can play a substantial leading role in the Islamic economy.

Turkey has a well-developed economy and has taken important steps in the past year to strengthen its position in the global Islamic economy.

The country has facilitated the development of modest fashion, with leading local modest fashion e-tailer Modanisa securing an important injection of capital of \$15 million from Goldman Sachs and WamdaCapital to fund overseas expansion,⁴⁴ and with influence in the fashion world, with Istanbul's Lifestyle Turkey Fair featuring a modest fashion exhibition supported by the Ministry of Commerce.⁴⁵

Turkey has also seen important developments in halal food, with organizations from Spain, Russia and Croatia reaching out to Turkey's Halal Accreditation Agency for training and accreditation,⁴⁶ and in Islamic finance, with Emlak Katilim Bankasi becoming the sixth Shariah-compliant bank in Turkey having gained approval from the Turkish banking authority, Bankacilik Duzenleme ve Denetleme Kurumu (BDDK).⁴⁷

IMAGE CREDIT—LEFT: SAQIB RIZVI / SHUTTERSTOCK.COM

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44. Turkey's Modanisa sells minority stake to Goldman Sachs. Wamda. January 14, 2019.

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Investments in the Islamic Economy

Investments in Islamic economy companies have seen tremendous growth of 399% in 2018/19 valued at \$1.2 billion. Islamic Economy deals remain a fraction of the \$596 billion invested globally in consumer and financial services sectors.

\$1.2 billion⁴⁸ was invested globally in Islamic economy companies in the 12 months to July 31, 2019, with 63 deals identified across 18 countries.

- Halal products represented the largest share of investment value, growing by a substantial 399% on a like-for-like basis, excluding non-tech Islamic Finance deals, over the comparable period to July 2018.
- Islamic finance represented the second largest share of value, at 42% of total investments made.⁴⁹
- There was tremendous growth of 399% across Islamic economy transactions in halal products, Islamic lifestyle and Islamic fintech.⁵⁰
- Investments were predominantly led by corporate acquirors and cross-border investments represented the largest share of aggregate deal value.

Despite impressive growth, Islamic economy investments represented less than 0.1% of global investments in the broader consumer and financial service categories.

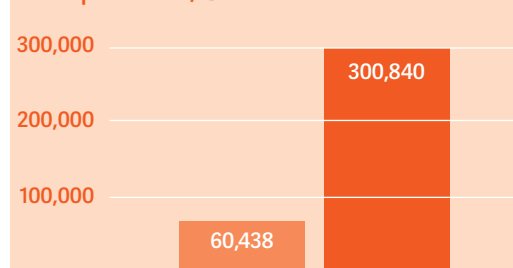
- Global investments reached \$3.7 trillion in 2018, representing an 11% growth over 2017, of which global M&A represented \$3.52 trillion (across 20,802 deals),⁵¹ and VC represented \$207 billion (across 14,247 deals).⁵²
- In sectors aligned to the Islamic economy, \$596.2 billion⁵³ was invested in total.

Despite the scale of Muslim consumer spend, representing 12% of global spend, M&A activity across the Islamic economy remains muted and untapped for substantial investment.

Summary of Islamic Economy Investments, 2018/19

	# Total deals	Value \$000s
By sector		
Halal Products	42	652,290.56
Islamic Finance	14	508,400.27
Islamic Lifestyle	7	41,744.50
By investor type		
Corporate	37	962,336.69
Private Equity	10	159,678.05
Venture Capital	10	73,874.25
Angel Investor	6	6,546.33
Total	63	1,202,435.33

Like-for-like Investment Comparison, \$000s⁵⁴



Source: Zephr

48. See methodology for full details of how relevant transactions were filtered

49. Comparable Islamic Finance metrics have not been prepared for 2017; the previous year's report only highlighted Islamic Fintech investments

50. Note comparative figures includes corporate-led deals which were not specifically analyzed in the 2018/19 report; Islamic Finance deals are also excluded, except for specific investments in Islamic Fintech solutions; the \$408 million acquisition of Aatco foods is excluded due to its size

51. M&A Explorer. White & Case. Accessed September 15, 2019.

52. Venture Pulse: Q4'18: Global analysis of venture funding. KPMG. January 15, 2019.

53. Represents M&A and venture capital investment in Financial Services and Consumer sectors; full breakdown and sources provided in the Methodology section of this report

54. Note comparative figures includes corporate-led deals which were not specifically analyzed in the 2018/19 report; Islamic Finance deals are also excluded, except for specific investments in Islamic Fintech solutions; the \$408 million acquisition of Aatco foods is excluded due to its size



IMAGE CREDIT: ELLA MILLER / SHUTTERSTOCK.COM

Corporate acquirers have dominated Islamic economy investments in the past year, motivated by cross-border consolidation in Islamic finance and market access to the OIC halal food industry.

Corporate deals formed a substantial portion of total investments in the Islamic economy in 2018/19, but at \$938 million represented a fraction of the \$2.9 trillion⁵⁵ transacted globally in 2018.

Corporate-led acquisitions were primarily driven by cross-border consolidation in halal food and Islamic finance.

- Acquisitions of halal food companies such as Aatco Food and The Chicken Rice Shop enabled acquirers to gain greater footholds in OIC markets.
- The Islamic finance industry saw consolidations of banks in the GCC and Southeast Asia markets.

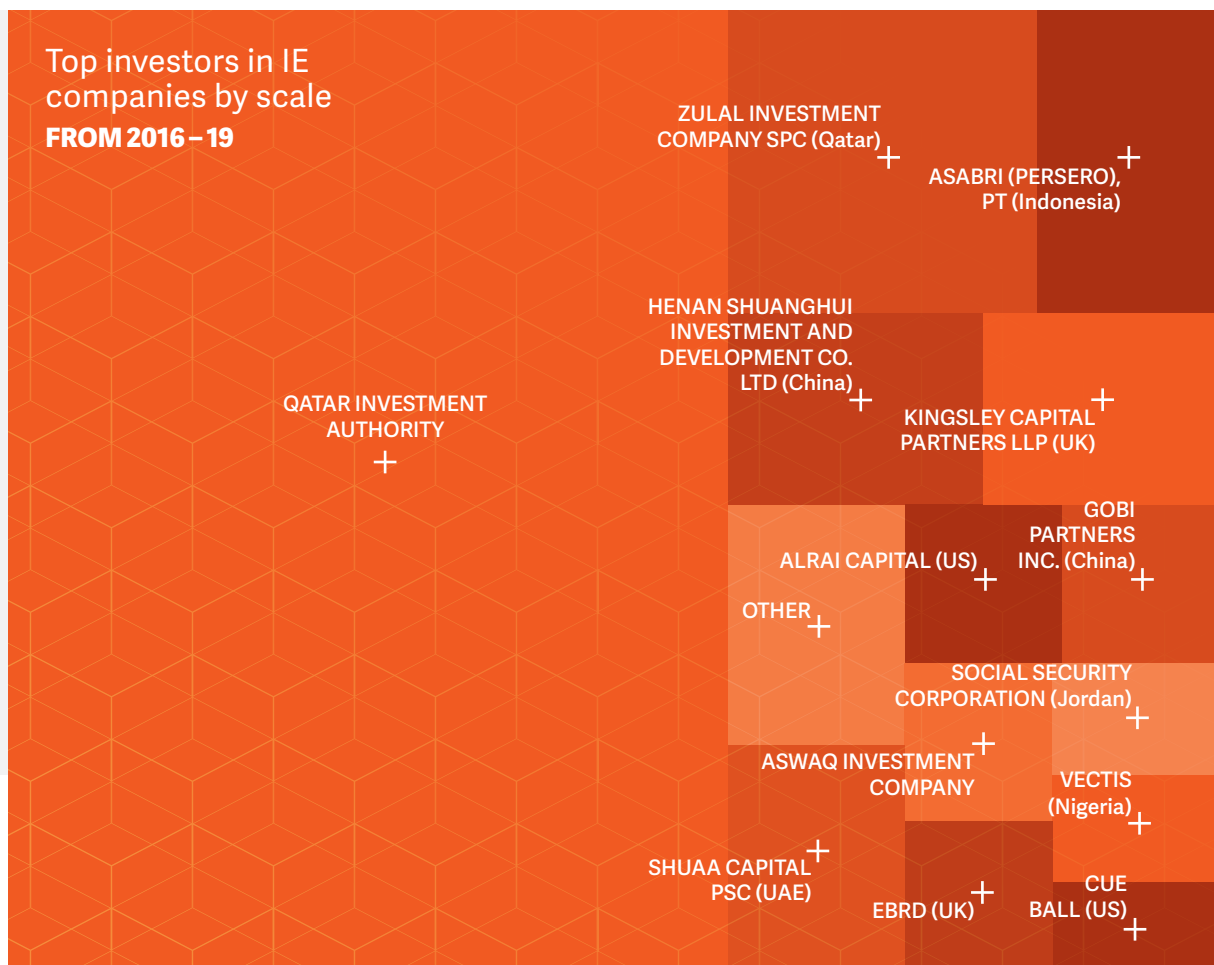
Top 5 corporate-led IE investments, 2018/19

Sector / Sub-Category	Target	Year	Deal Value, \$000S	Acquiror
Halal Products / Food Production	AATCO FOOD INDUSTRIES LLC (Oman)	2018	408,800.00	KERRY GROUP PLC (Ireland)
Islamic Finance / Banking	MUBASHER FINANCIAL SERVICES BSC (Bahrain)	2018	208,422.73	AL SAFWA ISLAMIC FINANCIAL SERVICES PJSC (UAE)
Islamic Finance / Takaful	HSBC AMANAH TAKAFUL (MALAYSIA) BHD	2019	99,151.39	FWD GROUP MANAGEMENT HOLDINGS LTD (Hong Kong)
Halal Products / Restaurants	THE CHICKEN AND RICE SHOP (Malaysia)	2019	53,000.00	ZENSHO HOLDINGS (Japan)
Islamic Finance / Banking	BANQUE ZITOUNA (Tunisia)	2018	37,594.79	TRIKI GROUP (Tunisia)



55. M&A Explorer. White & Case. Accessed September 15, 2019.

Top investors in IE companies by scale FROM 2016 – 19



Private equity and venture capital have lagged corporate-led investments, but are gaining important traction, with a growing club of investors that have invested in the Islamic economy since 2015.

There is a growing list of institutional investors in the Islamic economy (IE), however, investor engagement remains opportunistic, with few investors making more than one investment in IE companies since 2015.

- Gobi Partners and Cue Ball Capital are the only investors identified that have invested directly in more than one IE company since 2015.
- Gobi partners and Hambro Perks have both signaled they seek to build dedicated Islamic Economy propositions, with other dedicated funds in development in 2019, most notably, Frost Capital, which acquired Affinis Labs for \$8 million.⁵⁶



For an interview with Gobi Partners on Taqwa Tech:
<http://bit.ly/TaqwatechVC>

Top 5 PE IE investments, 2018/19

Sector/ Product	Target	Year	Deal Value, \$000S	Lead Investor
Islamic Finance / Banking	MEEZAN BANK LTD (Pakistan)	2019	58,577.11	FOREIGN INSTITUTIONAL INVESTORS (Various)
Halal Products / Food Manufacturing	PRIMA CAKRAWALA ABADI TBK, PT (Indonesia)	2018	38,056.50	ASABRI (PERSERO), PT (Indonesia)
Islamic Finance / Banking	AJMAN BANK PJSC (UAE)	2018	26,787.21	SHUAA CAPITAL PSC (UAE)
Islamic Finance / Banking	JORDAN DUBAI ISLAMIC BANK (Jordan)	2018	12,556.43	SOCIAL SECURITY CORPORATION (Jordan)
Halal Products / Food Manufacturing	LEVENTIS FOODS LTD (Nigeria)	2019	11,820.17	Vectis Capital/ AG LEVENTIS (NIGERIA) PLC

Top 5 VC IE investments, 2018/19

Sector/ Product	Target	Year	Deal Value, \$000S	Lead Investor
Halal Products / Food Service	RIPPLES CATERING SERVICES LLC (UAE)	2019	16,523.86	ALRAI CAPITAL (U.S.)
Islamic Lifestyle / Travel OTA	TRAVEAZY DMCC, branded as HOLIDAYME (UAE)	2018	15,764.47	GOBI PARTNERS INC. (China)
Islamic Lifestyle / Modest Fashion Retail	MODANISA ELEKTRONIK MAGAZACILIK VE TIC AS (TURKEY)	2018	14,654.58	EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (UK)
Islamic Finance / Investments	AFFINIS LABS (U.S.)	2019	8,000.00	FROST CAPITAL (U.S.)
Islamic Lifestyle / Retail investments	WAHED INVEST LTD (U.S.)	2019	7,605.89	CUE BALL GROUP LLC, THE (U.S.)

Private equity investments in 2018/19 totaled \$160 million, representing less than 0.1% of global private equity investments in 2018.⁵⁷

Investments in six MENA-based Islamic banks accounted for \$117 million of total investments, with the largest being the sale of a 10% stake in Pakistan-based Meezan bank by current stakeholder Noor Financial Services.

The balance of \$43 million was invested in four OIC-based halal food companies, with the largest being the acquisition of a minority stake in Indonesian seafood products manufacturer Prima Cakrawala.

Venture capital investments in 2018/19 totaled \$74 million, representing less than 0.1%⁵⁸ of global venture investments in 2018.

Investments were made across nine transactions spanning travel, media and lifestyle, modest fashion, Islamic finance and halal food.

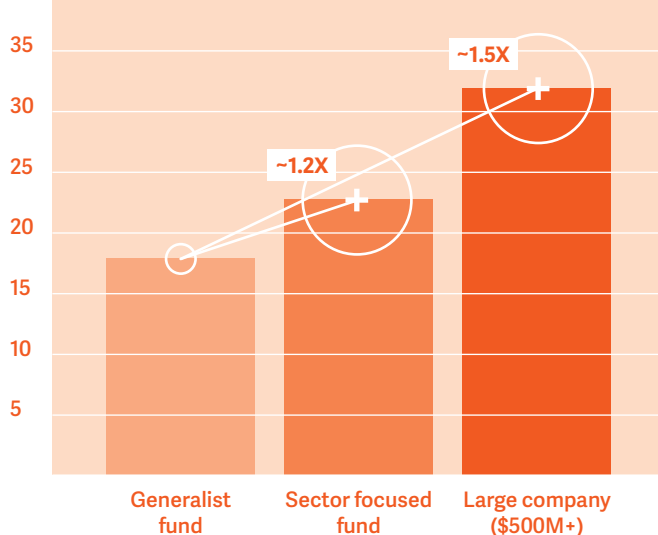
Most notably, US investors led four investments, with Cue Ball capital leading two investments totaling \$9.9 million.

57. Global Private Equity Report 2019. Bain & Company. Accessed September 15, 2019.

58. Venture Pulse: Q4'18: Global analysis of venture funding. KPMG. January 15, 2019.



Average IRRs for Private Equity across types of investment⁵⁹ 2000-2018



Source: Cambridge associates⁶⁰; Bain & Company⁶¹

The Islamic economy is ripe for institutional investment, with the opportunity for strong returns underpinned by attractive value creation options, robust exit opportunities and supportive LPs.

1) A sector-led investment strategy, underpinned by buy-and-build and aggressive growth plans, can create strong returns for investors.

The Islamic economy opportunity, while addressed in part by multinationals, has a large tail end of geographically dispersed small and mid-sized companies seeking growth capital, presenting substantial whitespace for organic growth and consolidation.

Dedicated Islamic economy propositions could enable private equity investors to earn more than double the average IRR of 17.9 percent seen historically between 2000 and 2014⁶²:

- Value creation has become increasingly important in transactions and is in fact three times more important in deals today relative to the 1980s⁶³, with dedicated sector expertise boosting IRRs by over 20 percentage points.⁶⁴
- Buy-and-build transactions are becoming more commonplace in private-equity backed companies, with 30% of add-on deals identified representing at the least the fourth-add on acquisition, with larger companies boosting returns by 50 percentage points.⁶⁵

By way of illustration, through a well-considered growth activation plan, investment into a small Islamic economy SME can realistically create a company generating over \$100 million in revenues over a ten-year period through:

- Aggressive global and product expansion serving the needs of a Muslim customer base, with broader extension into ethical market propositions.
- Acquisition of SMEs in similar or adjacent markets.
- Adoption of cutting-edge technologies and business models.
- Talent recruitment geared towards building a comprehensive skillset.

59. Note: Large company returns extrapolates the average returns earned by generalist fund investments, based on the differential between the large investments over \$500 million and average fund size investment

60. Sector-focused PE-funds outperform generalist PE funds by almost 5 per cent. Private Equity Wire. June 18, 2019.

61. Global Private Equity Report 2019. Bain & Company. Accessed September 15, 2019.

62. Sector-focused PE-funds outperform generalist PE funds by almost 5 per cent. Private Equity Wire. June 18, 2019.

63. Creating value throughout the private equity investment life cycle in the digital era. 2018 Study. Ernst & Young GmbH. Accessed September 15, 2019.

64. Sector-focused PE-funds outperform generalist PE funds by almost 5 per cent. Private Equity Wire. June 18, 2019.

65. Global Private Equity Report 2019. Bain & Company. Accessed September 15, 2019.

Levers of growth in Islamic economy companies

VALUE CREATION LEVERS	Global muslim customer acquisition	Product expansion	Add-on acquisitions	Digital innovation	Organizational maturity
DRIVERS	Substantial growth in Muslim population and spending power	Unmet needs and broader ethical market opportunities	High fragmentation, with a long tail-end of SMEs	Innovation megatrends spanning AI, IoT, crypto	Islamic economy SMEs lack the full organizational expertise to scale
ANALOGS	- Wahed Invest's expansion into 100 markets - Halal guys expansion from single cart to 100 locations	Saffron Road becomes organic brand	- Salam Planet's acquisition of Halal Dining Club - HolidayMe's acquisition of Tripfez	Blossom Finance's blockchain-based zakat payments	- Paramount Fine Foods hires leading franchising expert - Halal Guys builds full professional franchising team

2) There are robust exit opportunities for Islamic economy investors, including corporate M&A and IPO.

Corporate M&A has been a leading component of Islamic economy investments, with notable investments made by BRF, Kerry Group and Mizuho Holdings in OIC-based halal food companies since 2015, signaling strong exit opportunities for institutional investors that are able to create scaled, global independent entities.

3) There is substantial institutional capital available to support the development of dedicated and transformational Islamic economy funds.

The top 20 sovereign wealth funds in the OIC region had assets totaling US\$3.2 trillion as of June 2018 and can play a transformational role, either as limited partners, or as direct investors. Coupled with a record amount of 'dry powder' or unutilized capital, estimated at US\$2 trillion,⁶⁷ there is substantial opportunity to create new funds, or carve-out existing funds, to invest in Islamic economy companies.

67. Ibid.



ICD - REFINITIV ISLAMIC FINANCE DEVELOPMENT INDICATOR

**OVER
+1000**
ISLAMIC FINANCIAL
INSTITUTIONS

ICD Refinitiv Islamic Finance Development Indicator (IFDI) is a composite weighted index that measures the overall development of the Islamic finance industry by assessing the performance of all its parts in line with its inherent faith-based objectives.

The information is comprehensively gathered from a universe of 131 countries and measured across more than 10 key metrics including Knowledge, Governance, CSR and Awareness.

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+7 years

Islamic finance
industry
financial data



+520

Islamic banks
financial data
across 72 countries



+330

Takaful Operators
data across 47
countries



+12000

Sukuk issuances data
from over 24 countries
and in more than 12
structures



+1700

Islamic funds
data from 28
jurisdictions



+1100

Shariah scholars
data and their board
representation



+960

Islamic finance
education providers
data



+430

Islamic
finance events
information

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Please contact the Islamic finance team on IFG@Refinitiv.com

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214



Halal Food

SUMMARY

Halal food has rapidly expanded beyond ritually slaughtered, permissible meat. The sector has had to expand its halal certified offerings, in line with the global nature of the food production chain, with ingredients no longer sourced solely from local producers but invariably from multiple locations.

As the food production chain has changed, Muslims have had to pay heightened attention to labeling of products across the value chain, with concerns spanning non-ritually slaughtered meat to porcine gelatin, additives and colorings. It was to reassure Muslim consumers, as well as to drive sales, that global candy manufacturers Haribo, Nestlé and Ferrero Rocher acquired halal certification. Such attention to labels and the origins of food products is increasingly apparent among Muslim and non-Muslim consumers alike as they browse store shelves around the world. The halal food sector is well-positioned to ride the cusp of the labeling and traceability wave. Trust, ethics and traceability are integral to halal food, which needs to not only be permissible, but wholesome, pure and clean. As a result, while more food companies are getting halal certification, they are also being certified as organic as well as touting their ethical commitments, including companies such as UK-based Pronto Eat.

Halal food companies are increasingly adapting to the changing realities of the market, yet there is significant potential for more to be done. Halal certification continues to remain fragmented throughout the world, with sustainability not yet a core component of the certifying process. Initiatives are underway to better unify global halal trade, such as through the Dubai-based International Halal Accreditation Forum (IHAF) and Malaysia's International Halal Accreditation Board (IHAB). Malaysia and Indonesia are also working more closely on halal standards, driven in part by Indonesia's decision to require all domestic production of food and related products and services, as well as imports, to be halal certified.

Global Muslim spend on Food is estimated at \$1.37 trillion in 2018, growing at 5.1% from 2017. Spend is forecast to grow by 6.3% per year to reach \$2.0 trillion by 2024.

Technology is also enabling the sector to evolve, driving important investment and venture activity. For instance, Singapore-based WhatsHalal launched a halal traceability platform to connect the entire supply chain from producers to auditors and certifying bodies. Apps are linking consumers with halal restaurants and brands, such as Salam Planet, which has nearly 200,000 registered users across Denmark, Pakistan and the UK, and recently acquired Halal Dining Club, a UK-based halal restaurant booking app.

Investors have also signaled the increasing attractiveness of the Halal Food sector, as seen by Kerry Group's acquisition of Oman-based Aatco Foods for \$409 million, and Zensho Holding's acquisition of Malaysia-based The Chicken and Rice Shop for \$53 million.

Governments are also supporting the development of dedicated halal hubs. The UAE and China have agreed a \$1 billion agreement for a food manufacturing and processing plant in Dubai, while Indonesia aims to launch an \$18 million Halal Lifestyle District. Singapore's Elite Partners Capital signed a strategic partnership with the Singapore Malay Chamber of Commerce and Industry (SMCCI) to develop an advanced \$57-\$72 million Halal production facility.

Yet while there have been government initiatives as well as mergers, acquisitions and IPOs in the segment, halal food still remains an unrealized opportunity.

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Halal Food



CONSUMER OPPORTUNITY



\$1.37 TRILLION of spending by



1.8 BILLION Muslims on food and beverage (2018 est.)



5.1% year on year growth

Projected CAGR growth



6.3% 2018-24 to



\$1.97 TRILLION by 2024

Muslim Spend on Food
17%



\$210 BILLION of Food & Beverage exports to OIC* countries 2018



52 COUNTRIES with 'Halal' regulations

BRAZIL
\$5.5 BILLION EXPORT



GOVERNMENT OPPORTUNITY

OIC can experience **1% boost** in GDP through Halal products trade



BUSINESS OPPORTUNITY

New businesses or business units can feasibly generate **over a billion dollars** in revenues across Halal food space

HALAL FOOD - GIE INDICATOR RANKING

1 UAE	6 Pakistan
2 Malaysia	7 Oman
3 Brazil	8 Brunei
4 Australia	9 Turkey
5 Sudan	10 Iran

2020 HOT SECTORS FOR GROWTH



Halal ingredients



Meat-based meals and snacks



Halal feed



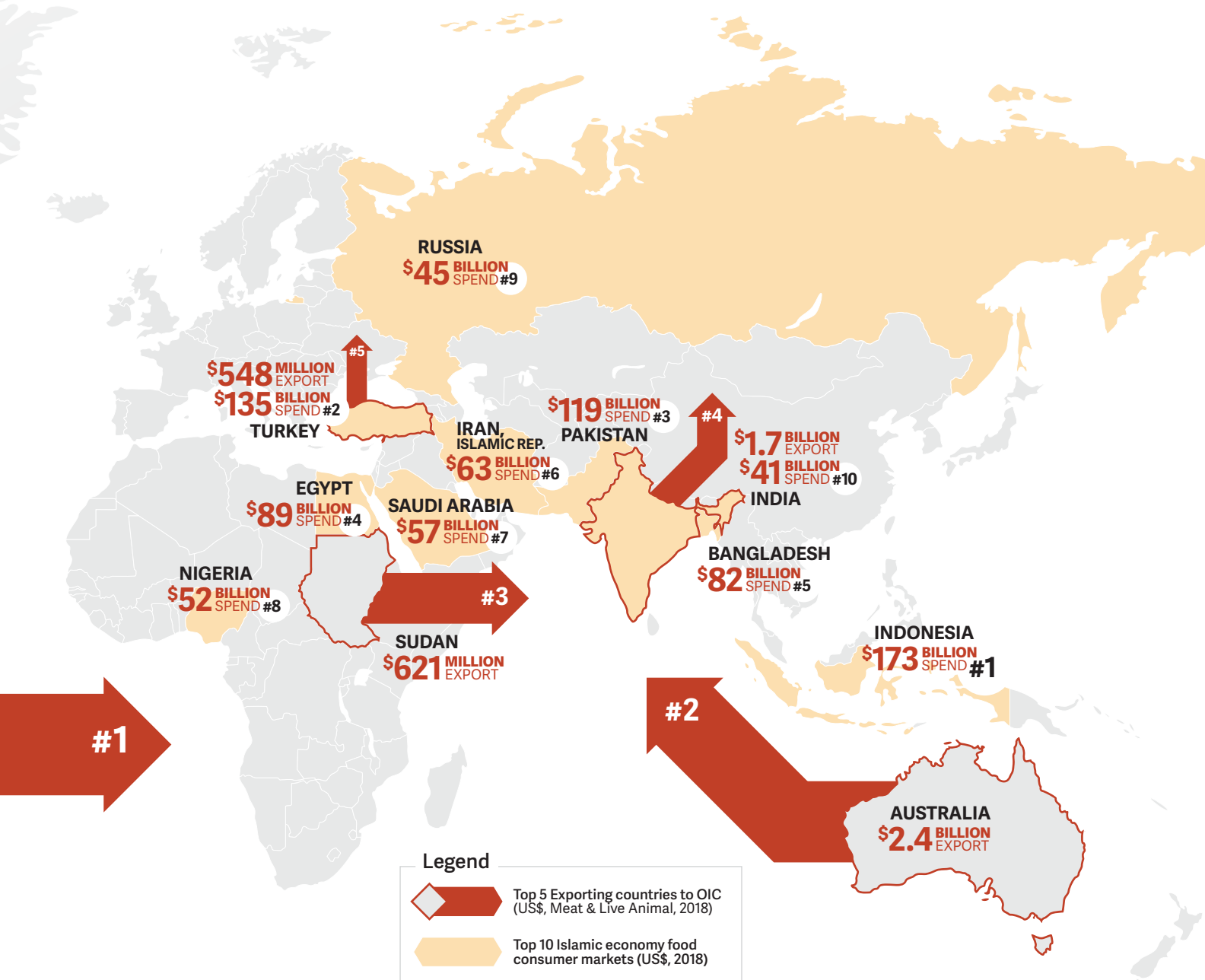
Retail concepts



Halal food-tech



Halal products e-commerce



INVESTOR OPPORTUNITY

Despite strong growth, IE deal value remains far below potential...investors have substantial runway

\$653 **MILLION** in investments in Halal Products in 2018/19*

\$408M

Aatco Food (Oman)
acquired by Kerry Group (Ireland)

\$38M

Prima Cakrawali (Indonesia)
by Asabri (Indonesia)

SIGNALS

- Mid-sized Halal products companies in non-OIC countries ripe for acquisition
- Carve-outs of Halal business units from large global companies
- Largest OIC economies having Halal economy investment strategies



CONSUMER LENS ON HALAL FOOD



Mr. Ahmad

AGE:
40 Years

INCOME:
US\$8,333



ADELAIDE,
AUSTRALIA

Business Management
Consultant

New dad of a baby daughter

*"We cross check
with the supplier
if their meat is
halal or not."*



MY VIEW



Halal food is food that has been slaughtered as per the Sharia guidelines, with a certificate.



Some shops have halal meat but don't have the certificate. So, we cross check with the supplier if their meat is halal or not. We trust their feedback on the phone or online information.

MY SPENDING HABITS

\$100/month



I spend approximately USD 100 per month on halal food.

There are enough outlets in Australia that offer halal food, however, they don't offer a wide range of halal food brands.



It is very limited, there are only one or two brands available for chicken and meat products. We want more chicken and meat products from different brands.

MY SHOPPING HABITS



I feel like there are enough outlets that sell halal food, but sometimes we have to drive a longer distance to get to the stores. We often go to supermarkets which sell halal food.



Unfortunately, there are not enough restaurants offering halal options. We always have to inform the staff that we cannot consume pork or alcohol and that the meat should be halal.



When it comes to price and quality, Australian meat is known to be of high quality, and the pricing is the same as mainstream brands of meat or chicken. Pricing is based on the brand, not on whether or not it is halal.

I WANT TO SEE MORE OF



Halal brands and a wider variety of halal products in the supermarkets. Currently you will find only one or two brands for chicken and meat products.



Also, it would be nice if more restaurants offered halal dishes, so that I can enjoy more options with my family when we go out.



CHALLENGES

1

Limited number of restaurants offering halal dishes.

2

Limited brands and variety of halal chicken and meat products.

3

Drive longer distances to get to a store selling halal food.

4

Negative local perception of halal: linked to all the negative things broadcast in the media about Islam.

5

Expensive to obtain a halal certificate: it costs approximately AU\$50,000 (US\$35,000).

2018/19 Developments

REVENUE DEVELOPMENTS

The halal food industry has seen top-line consumer spend growth on food and beverage of 5.1% between 2017-18, attracting new participants and investments.

Robust market spend growth

- Global Muslim spend on food and beverage has increased by 5.1% CAGR in 2017 from \$1.30 trillion to \$1.37 trillion in 2018, with Indonesia, Turkey and Pakistan the top three countries by spend.

The sector has continued to attract new entrants.

The scope and scale of halal certification has continued to grow, attracting global market leaders in the food and beverage industry from across the value chain, with notable examples:

- Cargill, a global leader in halal manufacturing, has committed to a \$200 million investment in Pakistan to produce a range of products, including edible oils and animal feed.¹
- Australia's leading supermarket chain, Woolworths, launched its Al-Sadiq halal brand, available in 20 stores in communities with high Muslim populations.²
- Ferrero Rocher seeks to grow the number of halal certified products and plants, with 33 products and 19 plants already certified halal.³

There has been moderate investment activity, albeit with room for development.

While investment activity remains constrained, modest activity signals a much larger pipeline to come:

- Japanese restaurant operator Zensho Holdings acquired Malaysia's halal chain The Chicken Rice Shop (TCRS) for \$53 million, with plans to expand upon TCRS' existing 100 locations.⁴
- Malaysian conglomerate Brahim's is seeking to sell a majority stake in its airline catering arm; the company once aimed to become the first billion-dollar halal company.⁵
- Salam Planet, with nearly 200,000 registered users across Denmark, Pakistan and the UK, acquired Halal Dining Club, a UK-based halal restaurant booking app.⁶

Malaysia is seeking to develop a broad finance ecosystem extending beyond private investment:

- CIMB Islamic Bank Bhd wants to reach out to more homegrown businesses and small and medium-sized enterprises (SMEs) in the halal industry to help them scale globally.⁷
- The Minister of Entrepreneur Development identified 15 firms, mainly in the food and beverage industry, with potential to be listed on the Bursa Malaysia, which can strengthen halal exports.⁸

OPERATIONAL DEVELOPMENTS

Halal supply chains are poised to be transformed by an increased emphasis on transparency and traceability.

Blockchain promises to drive enhanced supply chains.

Numerous solutions have been developed to establish halal traceability solutions via blockchain:

- Halal Digital Chain (HADIC), a Malaysia-based block-chain-powered platform, has been launched by the same developer behind the Global Halal Data Pool and the Verify Halal App.⁹
- WhatsHalal, a Singaporean company, launched its halal traceability platform in 2018, seeking to connect the entire supply chain from producers all the way to consultants, auditors and certifying bodies, working in Singapore and Indonesia to facilitate market entry, testing and analysis.¹⁰
- Singapore-based, One-Agrix, a B2B online marketplace for the sourcing of halal food ingredients and products, is one of the first users of nOS, a Network Operating System powered by blockchain protocol and developed by Trace Labs.¹¹



NATIONAL DEVELOPMENTS

OIC governments are increasingly realizing the critical importance of halal to their national economies, driving an increase in initiatives.

Important halal trade agreements and initiatives have been developed, led by Malaysia and UAE.

UAE has been an active proponent of halal globally, undertaking several important agreements:

- UAE and China signed trade and investment agreements totaling \$3.4 billion, as part of China's Belt and Road initiative, including an agreement to create a \$1 billion food manufacturing and processing plant in Dubai, to import, process, pack and export agricultural, marine and animal products.¹²
- Dubai Airport Freezone Authority (DAFZA) has launched the Halal Trade and Marketing Center, an important differentiator that supports companies in addressing the global opportunity.¹³
- Dubai's Islamic Economy Development Center (DIEDC) signed a cooperation agreement with Bosna Bank International to foster closer cooperation between Dubai and the Balkan state of Bosnia and Herzegovina to strengthen mutual cooperation.¹⁴

In Southeast Asia, Malaysia has played a critical role creating important halal trade alliances:

- Malaysia International Halal Showcase (MIHAS), held in April 2019, generated \$42 million in sales and investment leads for Philippine firms attending.¹⁵
- Malaysia signed a memorandum of understanding (MoU) with Japan to develop halal trade as a part of the halal silk route, which is Malaysia's initiative to strengthen the halal value chain globally; a similar MoU was signed with China in 2018.¹⁶
- Dubai Airport Freezone Authority (DAFZA) has signed an MoU with the Penang International Halal Hub (PIHH) in Malaysia to establish a framework of cooperation.¹⁷

Significant new national Halal strategies and initiatives have been announced, notably by Indonesia.

The UAE's and Malaysia's comprehensive Islamic economy strategies have encouraged Indonesia to do the same, with strong overtures from Saudi Arabia and Singapore:

- Indonesia launched its Islamic Economics Masterplan (MEKSI) 2019-2024, which recommends four strategic steps with the goal of Indonesia becoming a major producer in the global halal industry by 2024.¹⁸ One of its initiatives is the launch of the Halal Lifestyle District, a 21,000 square meter industrial park with an investment of \$18 million.¹⁹
- Singapore's Elite Partners Capital has signed a strategic partnership with the Singapore Malay Chamber of Commerce and Industry (SMCCI) to develop a 600,000 sq ft halal hub at a cost of S\$80-S\$100 million, aiming to be the world's most advanced halal production hub.²⁰
- Saudi Arabia is eager to tap into the global market for halal products to support its Vision 2030 objectives, sending a delegation of officials to MIHAS.²¹



ENABLING ECOSYSTEM DEVELOPMENTS

Halal regulation has made moderate progress towards harmonization with some encouraging educational initiatives.

Moderate activity, but encouraging initiatives

Formalized education in halal remains lacking globally, and is poorly developed relative to Islamic finance, but important initiatives have been undertaken in Malaysia:

- Malaysia's Halal International Selangor has developed a flagship halal training and education center, an important initiative in developing world-class halal professionals.
- This supplements cumulative efforts over the last few years to provide more training in key Muslim markets, such as UAE and Indonesia, on Halal certification.

Substantial differences remain in regulatory requirements across Muslim export markets.

Regional efforts to harmonize halal certification requirements have emerged, albeit with substantial differences existing between key export markets in Southeast Asia and the Middle East:

- The UAE has launched an integrated Arab system for mutual recognition of halal certificates, a new program launched by the Emirates Standardization and Metrology Authority (ESMA) and the Arab Industrial Development and Mining Organization, to boost trade of halal products in the Middle East and North Africa (MENA) region.²²

- Malaysia and Indonesia have agreed that products approved for halal export to Malaysia will not need double-certification to also be exported to Indonesia,²³ with Malaysia's JAKIM pushing to create a unifying body that harmonizes Halal standards and establishes global accreditation.
- Indonesia's Halal Law no. 33/2014 or Cosmetics or Food Supplement Manufacturers, originally due to be implemented in 2019, is now delayed to 2024 to allow manufacturers to obtain certification.²⁴

While halal has some runway to become fully integrated into the global accreditation infrastructure, important progress has been made, building on earlier successes:

- Turkey is positioning itself as an important enabler in global halal certification, with organizations from Spain, Russia and Croatia reaching out to Turkey's Halal Accreditation Agency for training and accreditation,²⁵ however, it's unclear how Turkey will coordinate with the UAE.
- Dubai municipality's Central Laboratory has announced that it has received international accreditation in compliance with halal food testing ISO/IEC 17025, paving the way for a more standardized global approach to halal testing.²⁶

SOCIAL IMPACT

Halal food has substantial runway to realize its full ethical role.

Strong analogs, but with a limited role played by halal food companies relative to their potential, with a clear mapping in the 2018/19 report of Halal to 8 SDG goals, including eradicating poverty

Albeit with some positive development in Halal, the halal food industry can play a stronger role in supporting the environment and in driving improved outcomes for the world's poorest:

- Pinar Dairy's work with farmers in Turkey²⁷ and OneAgrix's push to address SDGs through its Halal traceability platform are examples of how the industry is evolving.²⁸

- The successful public listing of Beyond Meat shows an important roadmap for halal food to develop broader, sustainable operational processes.²⁹
- AgTech has emerged as a highly investable industry, attracting \$2 billion in venture funding in 2018, with the core premise being to improve the livelihoods and efficiency of farmers. The halal food industry can plan a more integral role in supporting farmers in the OIC and in connecting them with the global supply chain.³⁰



2019 Signals of Opportunity

◆ As an industry, halal food has seen important developments in 2018/19, underpinned by robust consumer spend growth, with trade and national economic strategies playing an important role in supporting the industry, and with notable investments made. The industry still lags behind in operations, regulation and ecosystem development, however growth in consumer demand continues to present substantial opportunities for investors, governments and businesses.



◆ NATIONAL ECONOMIC DEVELOPMENTS HAVE SEEN ROBUST STRATEGIES BUT AWAIT IMPLEMENTATION.

Several OIC governments, including the largest ones, Indonesia and Saudi Arabia, are seeking to develop robust halal propositions. A broader OIC-wide opportunity exists, however, to strengthen intra-OIC trade and for individual countries to invest in boosting food production and enhancing food security.

◆ FRAGMENTED INDUSTRY RIPE FOR CONSOLIDATION, PARTICULARLY IN NON-OIC COUNTRIES.

While consumer spend has shown impressive 5.1% growth, the industry remains fragmented and ripe for M&A. There is a substantial opportunity for an investor or well-capitalized business to acquire small and mid-sized independent halal food companies, notably in non-OIC markets, to develop a multi-billion-dollar revenue company.

◆ BROADER ETHICAL LINKAGES OF HALAL FOOD TO SDGS REMAINS WEAK.

Halal food is at the early stages of fulfilling a broader social role, with substantial halal food businesses primed to better address a global trend towards ethical consumption and establishing a favorable impact on society and on the environment.

◆ REGULATORY DEVELOPMENTS REMAIN MODEST.

Halal regulation remains disparate, with OIC importing countries differing on regulations. Developing regulations across OIC countries continues to affect the industry supply chain dynamic. The Indonesian domestic regulation requirement is one major example. Alignment and rationalizing can unlock industry growth and establish halal standards and regulations as benchmarks for global ethical food production.

◆ HALAL FOOD CAN ADOPT BLOCKCHAIN WITHIN OPERATIONS TO CATCH UP WITH GLOBAL BENCHMARKS AND EXHIBIT PROFITABILITY.

Blockchain can transform supply chains, but there remains little evidence of robust industry profitability. There are substantial opportunities for multinationals and investor-backed entities to scale operations globally and develop highly profitability halal propositions.



Strategic Considerations by Stakeholder

OVERVIEW

The halal food industry remains ripe for investment by both financial investors and corporates exploring avenues of growth, with entrepreneurs seeking to gain substantially. OIC national governments can link halal food to their national growth and food security objectives.

Muslim spend on food and beverage is projected to grow by 6.3% CAGR to reach **\$2.0 trillion** by 2024 and investors, governments and businesses can address substantial opportunities across the halal food industry through developing robust strategies, with strategic imperatives and attractive opportunities highlighted below.



Investors

- Engage halal thought leaders on the market opportunity.
- Consider extending your existing investment thesis to cover halal.
- Work with specialists to develop a pipeline.



Government

- Develop a national strategy centered on halal food.
- Involve investors and multinationals to attract FDI.
- Align halal accreditation with international stakeholders.



Business

- Conduct a feasibility study on developing a halal proposition spanning market opportunity.
- Create a technical roadmap for developing halal products.
- Extend the halal proposition to a broader ethical impact proposition.

Select Attractive Opportunities

Attractive solution categories	Attractive countries for investment and development
Halal animal feed	Indonesia (Broader market and export proposition development)
Halal ingredients	U.S. (Product diversification)
Meat-based snacks and meals	Uzbekistan (Broader market and export proposition development)



Source: Based on interviews with market participants; not exhaustive



FUTURISTIC SUPERMARKET AT EXPO IN MILAN. IMAGE CREDIT: TINXI / SHUTTERSTOCK.COM



INVESTORS

By investing in halal food companies, there are substantial opportunities to generate returns, with a compelling global growth trajectory. The only limit is a lack of clear success stories to date.

+

PRIVATE INVESTMENTS WILL PLAY A PIVOTAL ROLE IN CREATING NEW MARKET LEADERS IN HALAL.

Private investments will play an increasingly important role in providing vital growth capital to halal food companies. Such investments will span the life cycle of a company, from seed investments and early stage capital through to growth capital and mature, pre-IPO investments.

Investments in halal food companies are gathering momentum and the creation of dedicated funds, such as TaqwaTech, as well as Muslim community funds discussed at the AMCC 2019 conference, will spark more investment interest in halal food, with select Sovereign Wealth Funds entertaining a Halal proposition.

Notable developments

Investments have been made over the last three years in halal food product and tech companies, including by Kingsley Capital, QIA and Salam Planet.

Analogs

An analog for creating a halal food fund proposition would be the creation of a dedicated \$50 million organic food fund by Accel Partners.

Potential outcomes by 2030

Creation of new billion-dollar, publicly listed halal food companies.

-

THE LACK OF EXITS FROM CURRENT INVESTMENTS LIMITS THE INVOLVEMENT OF LEADING INVESTORS.

While there have been increasing investments, there has also been a lack of clear verifiable investment success stories, which has limited the involvement of the larger venture and private equity investment firms in the industry to date.

Risk

Without clear evidence of viability, halal food investments will be restricted to a smaller audience of passionate, committed investors.

STRATEGIC IMPERATIVES



Engage halal thought leaders on the market opportunities.



Consider extending your existing investment thesis to cover halal.



Work with specialists to develop a pipeline.



GOVERNMENT

Halal food can boost GDP in OIC countries, and is contingent upon robust national strategies, and strong investment in boosting food systems.

+

AT A NATIONAL LEVEL, OIC COUNTRIES CAN GENERATE SUBSTANTIAL ECONOMIC RETURNS FROM HALAL FOOD.

Halal food is an important step for OIC countries to diversify their economies, boost food production and create jobs.

Following the lead of Malaysia, UAE and Indonesia, it is imperative to develop comprehensive national strategies on how to address the global halal food trade opportunity, with an important development role for sovereign wealth funds.

Notable developments

Multi-billion dollar investments by halal food companies in Malaysia's halal zones; multiple similar initiatives now across the UAE, Indonesia, Philippines and Singapore.

Analogs

Russia's Direct Investment Fund partnered with a Vietnamese agricultural company to develop projects in the country.

Potential outcomes by 2030

At least one OIC country is in the top three of food and beverage suppliers to the broader OIC region and has seen halal food add over 1% to its GDP.

-

WEAK FOOD SYSTEMS CONTINUE TO EXPOSE OIC COUNTRIES TO FOOD CRISES.

OIC overall remains dependent on food imports, with 28 of the OIC countries classified as Low Income Food Deficit countries. Furthermore, OIC countries have higher tariffs on trade with each other than the world average.

Risk

The OIC region as a whole remains highly dependent on food imports and is more susceptible to food supply shocks and food crises.

FLOCK OF SHEEP ON THE FIELD AT SUNSET IN PHAN RANG, NINH THUAN PROVINCE, VIETNAM.
IMAGE CREDIT: KERNELNGUYEN / SHUTTERSTOCK.COM





HALAL FOOD CERTIFICATION COULD LEAD TO GLOBAL STANDARDS ON FOOD QUALITY AND ETHICS IN FOOD.

Halal food has the opportunity to extend beyond halal, synonymous with how animals are slaughtered, to the broader concept of tayyab, providing assurance animals have been treated ethically from birth to slaughter.

Such an accomplishment requires OIC-wide agreement, common standards on halal and tayyab and one unified global accreditation system.

Notable developments

Important steps towards accreditation have occurred through the creation of IHAF, with plans to align with IAF. Other examples include Malaysia's IHAB initiative.

Analogs

GFSI, the Global Food Safety Initiative, has been successful in aligning differing national standards on food safety.

Potential outcomes by 2030

Halal food becomes synonymous with ethics, representing high quality, organic food that appeals to a broader ethical consumer base beyond Muslims.



HALAL FOOD REGULATION IS FRAGMENTED ACROSS THE OIC, CREATING CONFUSION FOR THE INDUSTRY.

There remains a lack of alignment on halal standards globally, with a lack of coordination on accreditation between IHAF and Malaysia-led accreditation efforts.

Risk

Substantial national differences remain on halal food standards and regulations, limiting global alignment and market access.

GOVERNMENT ROADMAP



Examine the strengths of and gaps in food security in your country.



Develop a national strategy centered on halal food.



Align halal accreditation with international stakeholders.

VEGETABLES GROWN UNDER UV LIGHT AT MAEPS MALAYSIA AGRICULTURE, HORTICULTURE AND AGROTOURISM SHOW 2018 (MAHA 2018). IMAGE CREDIT: IKHWAN ARIS / SHUTTERSTOCK.COM





BUSINESSES

Global food industry champions can generate substantial growth by creating dedicated halal propositions.

+

CORPORATES CAN PLAY A LEADING ROLE IN DEVELOPING HALAL PROPOSITIONS.

Food conglomerates can emulate the successes of BRF by developing robust halal propositions, exploring setting up operations in OIC countries, and providing Muslim consumers with their global brands, particularly in large consumer markets such as Indonesia and Saudi Arabia.

Notable developments

The increasing development of distinct halal propositions by leading food companies, such as BRF One Foods.

Analogs

Substantial revenues generated by Nestlé in halal food.

Potential outcomes by 2030

Distinct halal entities, either partly or fully owned by leading multinationals, will be publicly listed and generate billions in revenue.

-

MANY CORPORATES DON'T FULLY REALIZE THE SCALE OF THE OPPORTUNITY.

The halal opportunity remains largely under the radar despite success stories, due to limited openness by companies about their experiences, compounded by fears of negative public opinion in non-OIC countries.

Risk

Halal remains a fragmented market and, to a large extent, one addressed mainly by local or regional SMEs.

+

EARLY STAGE SUPPORT MECHANISMS CAN CREATE RAPIDLY SCALED HALAL FOOD TECH PROPOSITIONS.

By developing broader ethical opportunities, halal tech propositions can cater to a global ethical audience, for instance, through offering organic or vegan propositions, or solving a broader problem that goes beyond halal, for instance, the need for transparency across the food value chain, a solution offered by OneAgrix and WhatsHalal among others.

Notable developments

The emergence of ethical propositions that leverage halal, such as Saffron Road and Pronto Eat.

Analogs

The rapid growth of plant-based protein companies, such as Beyond Meat, that serve a broader ethical proposition.

Potential outcomes by 2030

Halal food tech drives billion-dollar revenues either for leading food tech companies or as distinct public entities.

-

THERE IS A LACK OF DEDICATED SUPPORT FOR HALAL FOOD ENTREPRENEURS.

Dedicated support from well-established incubators for halal entrepreneurs remains very limited, although exciting potential developments have been discussed and floated particularly in the US.

Risk

Halal food entrepreneurs struggle to raise investments, with high failure rates and limited propositions.

BUSINESSES ROADMAP



Conduct a feasibility study on developing a halal proposition spanning market opportunity.



Develop a technical roadmap for developing halal products.



Extend the halal proposition to a broader ethical impact proposition.



IMAGE CREDIT: RBLFMR / SHUTTERSTOCK.COM

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Instituto Halal is the **Halal Certification Board leader in the Mediterranean Region**. It is responsible of certifying halal goods and services for consumption by Muslims in Spain and the rest of Europe, Mexico, Guatemala and Cuba.

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Dr. Muhammad Munir Chaudry

President and CEO of IFANCA



IFANCA® is a U.S. corporation with a mission to promote the institution of halal by increasing awareness, educating consumers, and helping the industry in producing halal products. In cooperation with other organizations and agencies, it hopes to ensure everyone seeking halal products can find them locally, no matter where they reside. IFANCA was founded in 1982 by a group of food

scientists, Islamic scholars, and industry professionals with knowledge and experience in industrial food production. The founders, halal consumers themselves, understood the challenges consumers faced in finding appropriate halal food in the USA. To tackle these issues they set up halal awareness, halal education, and halal certification programs. Many of these individuals continue to serve in leadership roles at IFANCA today.

There are several halal certifiers based in the United States but only one that is recognized by three key Islamic economies - Indonesia, Malaysia, and the United Arab Emirates - according to the latest published lists from the national authorities in those countries. Illinois-based Islamic Food and Nutrition Council of America (IFANCA) may have already made its name abroad as a leading U.S. halal certifier and now at home, the 37-year old institution is stepping up efforts to build a wider Islamic economy ecosystem.

We interviewed Dr. Muhammad Munir Chaudry, President and CEO of IFANCA to discuss the current status and the future of the halal economy.

How is IFANCA enabling the growth of the halal economy?

IFANCA is a thought leader in the halal space and a key enabler of the halal economy. We have accomplished this by being a global leader in halal science, jurisprudence, and certification. Our in-depth knowledge of industrial practices and import requirements allows IFANCA to help manufacturers produce halal products in an efficient, halal assured manner and simplifies complex product information for consumers. Our halal quality system requirements have been implemented by global multinationals, SMEs, local producers, food service providers, and new startups to produce authentic, quality halal certified products that meet the stringent halal requirements.

What are some factors that have enabled you to be a leader in the halal economy?

We have been able to establish a strong position because we have qualified and respected religious advisors, technical experts, deep industry experience, and a global network of industry and governmental partners. We bring this brain trust together every year to discuss technical challenges and opportunities in the halal economy at the IFANCA International Halal Food Conference. Stakeholders come from around the world to participate in discussions to address the current and future issues in halal compliance and market development.

"...Most U.S. based companies produce halal only for export. The problem may lie with Muslim consumers not being able to show the food producers that 8-10 million Muslims...live in America."

What are some things that are happening around the world that are facilitating the halal economy?

Outside the United States, we see a growing connectivity within the halal ecosystem that is fragmented by numerous standards and regulating bodies.

There is a movement to bring things together and it is happening right now, such as Malaysia's new initiative, the International Halal Authority Board (IHAB) and the UAE-based International Halal Accreditation Forum (IHAF).

Last year we witnessed the official launch of IHAB in Kuala Lumpur. This demonstrates the international body's resolve to bring greater collaboration to halal certification. We have been waiting for something like this for many years.

At the same time, Dubai's IHAF tackles another need in the halal ecosystem: accreditation. Many countries have had halal certification body recognition systems in place for decades; now the UAE brings international standardization and quality system accreditation into the mix.

We see Southeast Asia bringing their recognition programs towards accreditation and the Middle East and North Africa bringing their halal programs towards better controls to increase reliability and credibility. Both areas coming together will give rise to a harmonized global halal standard.

IFANCA will be a part of this increasing connectivity. It will be involved in both IHAF and IHAB initiatives.

America: To Halal or Not To Halal?

For Muslims in America, the struggle to find halal products is easing, not because they have been demanding halal from the industry but due to import of already certified products as well as some corporations making their entire product category halal.

An example of a global brand is Godiva Chocolates, which although certified by IFANCA for the U.S. market, did not initially use the halal label in the United States. Godiva added the halal symbol, the Crescent M, in 2011.

Godiva now has the halal logo on every single product, large and small, that is certified as halal. They may have some new items that have not been certified yet or a few specialty items that are not halal. You can go to their stores and say, 'I want a halal selection,' and if they have a product which is not identified as halal, they will not put it in your box. Many other companies like Saffron Road, Abbott Nutrition, Organic Valley, Nestle, and others display the IFANCA halal logo on their labels.

While an array of halal certified products, both made in the USA and imported, is becoming quite evident, most U.S. based companies produce halal only for export. The problem may lie with Muslim consumers not being able to show the food producers that 8-10 million Muslims and 16-20 million halal consumers live in America.

On the non-food front, we see an increase in demand for certification of halal cosmetics and personal care products. IFANCA has experienced an average annual growth rate of seven percent in its halal certification business over the past ten years.

"To encourage growth, we support small and medium-sized enterprises (SMEs) by providing an incubator where the companies can do their basic work, but most of our work is with the major players."

We want the major players to offer what they offer to everybody else. We can assist the companies to make their existing product lines halal with minor adjustments to the formula, except of course in case of pork and alcoholic drinks.

What does the future of halal certification look like?

Halal certification will continue to grow and witness continued harmonization of halal standards, increased reciprocity among halal certification bodies, and additional multilateral agreements among regulators and accreditation bodies. While efforts continue to develop a global halal standard, we look forward to an all-encompassing discussion to harmonize standards and lighten the accreditation burden by bringing all halal stakeholders into the discussion. That includes the industry, importing countries, regulatory bodies, and the consumers. We are working towards bringing all export oriented halal certification bodies under the umbrella of the World Halal Food Council (WHFC).

The future of halal is bright and we are excited to be a part of it.

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Malaysia: At The Top Of The Islamic Digital World



For years, Malaysia has seen huge contributions to its GDP come from its burgeoning digital economy, with a prediction that 21% of the nation's GDP will be digitalized against the current level of 18% come the year 2022. Interestingly enough, a large chunk of this digital pie consists of digital products and services catering to the Islamic crowd. From Islamic finance to Muslim-friendly travel options, demand and supply in this particular sector have seen a steady climb in recent times.

Lately, Malaysia has escalated its focus on serving these sectors, with the Malaysia Digital Economy Corporation (MDEC) acting as one of the leading lights in this regard. In 2017, MDEC took a step forward by releasing *Mi'yar*—a guide and reference created for start-ups, investors, and other ecosystem players interested in being a part of IDE.

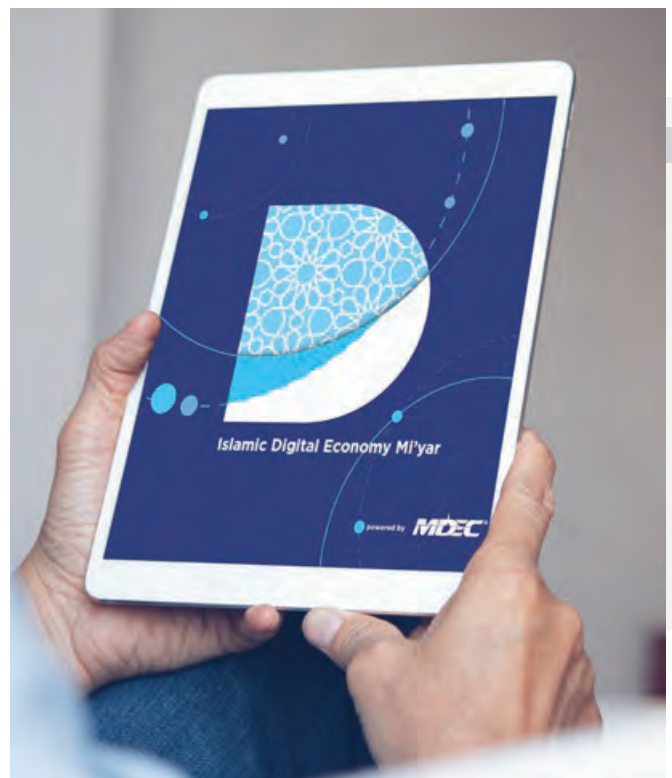
Serving as a reference point, *Mi'yar* helps entities understand the requirements for Islamic venture capital, Shariah compliant business operations, and halal products and services. In addition to keeping businesses compliant, the *Mi'yar* guide was also crafted to expedite growth for those within the IDE ecosystem—one of MDEC's key focus areas in its mandate to grow Malaysia's overall digital economy.

Fast forward to today, Malaysia has become a global leader in numerous segments within the IDE, having been identified as the top Muslim travel destination in the world, the largest sukuk issuer in the world, the possessor of one of the world's best halal standards, and leader in global Islamic finance and banking.

Additionally, the number of innovative Islamic businesses in Malaysia is on a healthy uptrend, with 15 start-ups currently certified as IDE compliant. Among these are names such as Wahdah Technologies, Tripfez, Salam Web Technologies, Zaahara Ventures, ZeptoExpress, Wahed Technologies, Ethis Ventures and many others—all of which have demonstrated the capacity to perform as digital service providers on the same level as not only the best in the Islamic scene, but also the rest of the world.

Looking ahead, there is much cause for optimism for anyone with a vested interest in Malaysia's digital Islamic scene. Building upon strong fundamentals, Malaysia's IDE is poised to witness an influx of funds from investors who have taken note of the scene's strong growth. In June 2019, the Malaysia Tech Week organised by MDEC saw an investment inflow of approximately RM30 million from Islamic venture capital firms such as Ficus Venture Capital and China-based Gobi Partners into Islamic tech start-ups and platforms that use Malaysia as a focal point.

This should be considered alongside the wealth of opportunity available on a global scale—with a worldwide Islamic population of over 1.8 billion Muslims, Malaysia's status as a leader in Islamic digital services, technology, and finance puts it in an enviable position to grow its Islamic market capitalisation and continue its excellent track record of innovation in all things IDE.





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Sukuk Market Prepares for New Phase of Growth



The global Sukuk market has grown strongly in 2019 so far and looks set for further development and maturity, with new trends in issuance emerging and new entrants preparing to join the market. As one of the world's largest venues for Sukuk listings, Dubai has attracted some interesting issuances during the year and looks forward to hosting many more.

The emergence of Sukuk that meet Environmental, Social and Governance (ESG) criteria is a notable and welcome feature of the market. Nasdaq Dubai listed its first green Sukuk in February, in the form of two instruments of 1.25 billion US dollars and 750 million US dollars issued by the government of Indonesia for projects including sustainable development initiatives. This was followed by Dubai-based Majid Al Futtaim listing the world's first benchmark corporate green Sukuk of 600 million US dollars in May. With investors around the world increasingly prepared to pay a premium for ESG-compliant assets, more Sukuk issuers are likely to join the sector. Nasdaq Dubai is well placed to support such a trend with its strong links to international investors, backed by the Green Bond Best Practice Guidelines issued by its regulator, the DFSA.

Other factors too are propelling the development of the Sukuk market. An increase in sovereign issuance has played a strong role in the 34% jump in global Sukuk issuance to 113 billion US dollars

in the first 8 months of this year, compared to the same period in 2018, according to S&P Global Ratings figures. As noted by Moody's investors Service, Egypt set up a Shari'a supervisory committee in April to oversee Sukuk issuance. Moody's added that a number of African sovereigns are likely to enter the market as issuers for the first time.

Nasdaq Dubai stands ready to support these and other issuers, adding to the healthy flow of Sukuk listings that we have attracted so far in 2019. These have come from a wide range of issuers that all appreciate the high global visibility and worldwide investor links that we provide as the region's international exchange. As well as the Indonesian listings, our Sukuk from non-UAE issuers this year include two issuances by the Islamic Development Bank and one by Warba Bank of Kuwait. Issuances from leading UAE entities have come from the government of Sharjah, DP World, Dubai Islamic Bank, Emaar Properties, Majid Al Futtaim and Sharjah Islamic Bank.

By value, 56% of our listings this year have been from overseas issuers and 44% from UAE issuers, reflecting our international as well as local role as an exchange of choice. As we continue to streamline our Sukuk listing processes and procedures we are positioned for a growing pipeline of new issuances.

"Listing our Sukuk on Nasdaq Dubai provides our issuance with a well-regulated platform with high visibility and close links to market participants regionally and around the world."

— Mohamed Alabbbar, Chairman of Emaar Properties

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Islamic Finance

SUMMARY

Islamic finance is underestimated in certain quarters, still considered to be a financial feather weight without much clout. But with assets currently standing at \$2.5 trillion, the sector is a major financial contender with growing global reach.

Islamic finance is also keeping pace with the rapid changes in the market, adopting financial technology (fintech), cryptocurrencies, and digital banking, while companies and governments are increasingly issuing sukuk (Islamic financial bonds), including green sukuk. The development of Islamic Social Finance is an especially important development, with the emergence of a dedicated Zakat Fund by UNHCR and the increasing adoption of sustainability criteria in Islamic Finance products positions the industry to maximize social impact and address SDGs.

The sector has grown particularly fast in OIC countries, where Muslims want to bank in a Shariah compliant manner. However, Islamic finance has proven to be equally appealing to non-Muslims, whether because of the services offered, or because customers want a more ethical approach to banking and finance. Islamic principles, Shariah law, differentiate the sector from conventional finance, notably by prohibiting interest.

Fintech is as much of a buzzword in Islamic finance as in conventional finance, with financial institutions investing heavily in the segment over the past year. Bahrain Islamic Bank launched the first full-fledged digital bank in the country, while the UAE's Al Hilal Bank carried out the world's first sukuk transaction using blockchain technology.

Yet while fintech is taking Islamic finance to the next level, recent growth is still solidly based more on traditional banking services and products, with Emirates Islamic Bank reporting a net profit increase of 97 per cent year-on-year, CIMB Malaysia a 24.7% rise in net profits, and Kuwait International Bank an 18% rise.

The Islamic finance industry was estimated to be worth \$2.5 trillion in total assets in 2018 and forecast to grow by 5.5 per cent CAGR to reach \$3.5 trillion by 2024.

Sukuk issuance has further driven growth. Over \$1 billion in infrastructure projects linked with Shariah compliant financing are being offered by the Indonesian government. The Islamic Development Bank (IDB) issued a \$1.3 billion sukuk, while Oman issued a sukuk worth \$1.5 billion with top global financial institutions like HSBC, JP Morgan, and Standard Chartered.

Firms and organizations are also utilizing sukuk to raise funds for operations and expansion, with Almarai, the Gulf's largest dairy company, issuing a \$500 million sukuk, Saudi Telecom debuting a 10-year international sukuk worth \$1.25 billion, and UAE-based Majid Al-Futtaim issuing a \$600 million green sukuk for investment in areas such as renewable energy and sustainable water management. Islamic banks are also emphasizing their principles, such as Malaysia's CIMB Islamic Bank supporting small and medium-sized enterprises in the halal industry to scale up globally.

While new Islamic banks have been established, there have also been a number of mergers, particularly in the Gulf, with Kuwait Finance House (Bahrain)'s merger with Ahli United Bank set to create one of the largest Islamic banks in the world. Other Islamic finance segments are driving the sector forward, including takaful (Islamic insurance) and financial products murabahah and waqf.



Thousands of refugee families are trying to survive the brutal winter cold. **Your Zakat will be their warmth.**

UNHCR's Refugee Zakat Fund is a **trusted, efficient and Sharia-compliant** structure for individuals and institutions to fulfil their Zakat obligations, while supporting those most in need - refugees - to keep living with dignity.

With a 68-year+ track record in assisting refugees throughout the world and a pioneering cash assistance programme, UNHCR is uniquely positioned to ensure that **100% of your Zakat reaches the most vulnerable**, allowing families to cover their basic needs this winter, such as **shelter, warm food, heating and debt repayments.**



» zakat.unhcr.org

THE HALAL CORRIDOR

Access a USD2.2 Trillion Global Halal Market Opportunity

The global halal economy represents an emerging opportunity to tap the potential of over 1.8 billion Halal consumers worldwide across sectors such as food and beverage, beauty and cosmetics, pharmaceuticals, agribusiness and modest fashion.

CIMB Islamic connects stakeholders to the global halal ecosystem in terms of market access, supply chain, certification and logistics, as well as the shariah-compliant banking required to ensure the complete integrity of the halal journey. Our membership of the global Trade Club Alliance enables our trade clients to tap opportunities across thousands of bank-backed and credible buyers and sellers worldwide via a cutting-edge electronic business matching platform.

For more information on how to access the opportunities of the growing global halal economy, please email halalcorridor@cimb.com.

FORWARD  **Your Business**



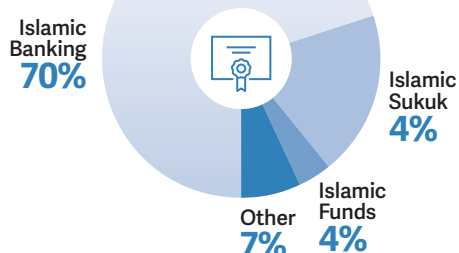
Islamic Finance



\$2.52 TRILLION in Islamic finance assets globally (2018 est.) **3.5%** year on year growth

Projected CAGR growth **5.5%** 2018-24 to **\$3.47 TRILLION** in assets by 2024

ISLAMIC COMMERCIAL BANKING DOMINATES ASSETS DISTRIBUTION (2018)



FINTECH ARE TAKING OFF

1,396 Islamic financial institutions
93 Islamic fintech startups globally*

ISLAMIC SOCIAL FINANCE ARE GAINING PROMINENCE

\$76 BILLION Zakat (obligatory Islamic charity) 2018 est.
\$410 BILLION Awqaf assets (Islamic endowment) 2016 est.



GOVERNMENT OPPORTUNITY

Islamic finance can play a critical role in boosting national growth through linkages to Islamic real-economy sector

ISLAMIC FINANCE - GIE INDICATOR RANKING

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



BUSINESS OPPORTUNITY

Islamic banks can unlock substantial growth and profitability through digitization and following sector opportunities

2020 HOT SECTORS FOR GROWTH



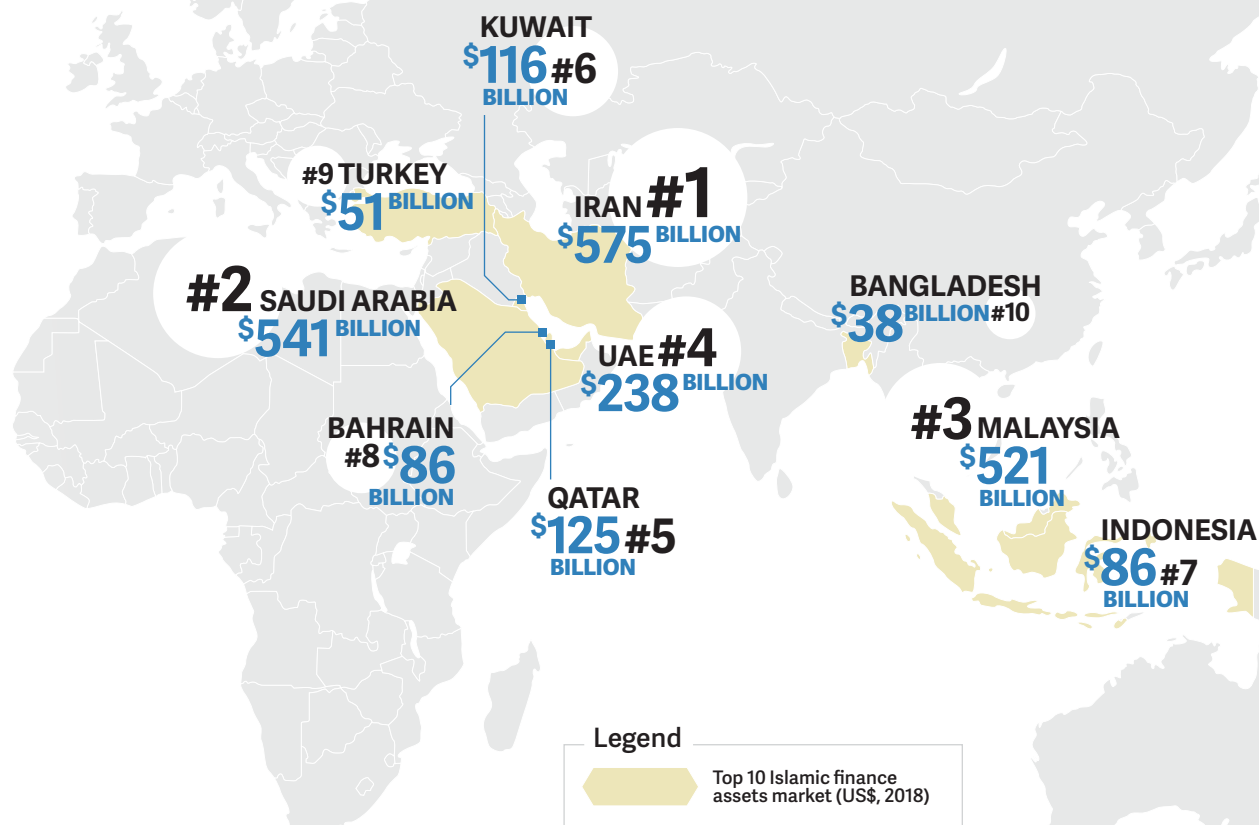
Islamic Fintech (in particular P2P Finance and InsureTech / Takaful)



Islamic Social Finance (Zakat, Waqf, Microfinance)



Islamic Trade Finance (in particular in trade receivables and factoring)



INVESTOR OPPORTUNITY

Appetite for Sharia investing/finance continues to grow; with strong opportunities in fintech and growing geographies

\$508  **MILLION** in investments in Islamic Finance in 2018/19*

\$208M

MUBASHER FINANCIAL SERVICES BSC (Bahrain) acquired by AL SAFWA ISLAMIC FINANCIAL SERVICES PJSC (UAE)

\$98M

HSBC AMANAH TAKAFUL (MALAYSIA) BHD (Malaysia) acquired by FWD GROUP MANAGEMENT HOLDINGS LTD (Hong Kong)

\$8M

Secured by WAHED INVEST LTD (United States) from a consortium led by CUE BALL GROUP LLC, THE (United States of America)

SIGNALS

-  Investment in emerging Islamic fintech
-  Islamic social finance global engagement
-  Development of Islamic Trade finance solutions

countries. Halal and related products exports based on ITC Trademap 2018 data; Investments (figures and individual deals) are based on a detailed scan of the Zephyr database between 2018 and 2019; Enablers data, if shown, is based on Sovereign Wealth Institute (SWF Assets); the 2019 Bain Private Equity Report (Dry Powder), and Bloomberg News (2016). Islamic Endowments, Fintech and Zakat estimates based on extensive DinarStandard estimates and in-house datasets.



CONSUMER LENS ON ISLAMIC FINANCE



Ms. Susan

AGE:
59 Years

INCOME:
US\$8,333



Consultant, writer and a mom of 4 adults and 1 grandchild

Loves spending time with the family and doing outdoor activities

"I have always advocated for a healthy diet whereby we eat a variety of cuisines."



MY VIEW



I consider Islamic finance anything that does not involve riba (interest), unfair or unsavory acquisition of wealth, and no exposure to a permissive atmosphere with alcohol or lewdness.



It is also important that the products and services have been submitted to authoritative reviews from trusted sources.

MY SPENDING HABITS



When it comes to the financials of my family, I have not yet used specific financial products which are identified as halal.



I do use credit cards, but I pay the balance on the first statement with no interest being charged.

In the US, many credit cards offer attractive incentives, such as miles, reward points, etc., and I feel that I am in compliance with my faith if I do not pay the interest by being responsible and disciplined about my spending.

MY SHOPPING HABITS



I was born in the USA and I am a second generation American with Polish and Lithuanian ancestry. We live in the Chicago suburbs, where we have several ethnic halal grocery stores.



However, I have not purchased financial services which are specifically branded as halal. For financial institutions that specialize in halal offerings, I do see adverts for Guidance Residential, UIF, Saturna Capital's Amana Fund, Wahed Invest, and Shariah Portfolio.

I WANT TO SEE MORE OF



When it comes to banking, all I want is a bank account that does not accrue any interest. My current bank adds a very small amount which I can't seem to avoid since they have no other option and they tick all the other boxes for what I need them to do.



I follow up on Islamic finance through Islamic magazines, visiting conventions or through my network at the Assembly of American Jurists of America.



CHALLENGES

1

Regarding the availability of Islamic financial products, the only challenge I found was a paucity of halal indexes.

2

It would make it much easier and give me peace of mind if I could trade stocks on my own using a major platform.

3

I had sought out the SAMI Index a few years back but could not find access to it from my brokerage.

2018/19 Developments

REVENUE DEVELOPMENTS

Underpinned by moderate asset growth of 3.5%, the industry has attracted new entrants, substantial investment and merger activity.

Robust market spend growth

- Islamic finance assets globally increased by 3.5% in 2018 from \$2.4 trillion to \$2.5 trillion, with Iran, Saudi Arabia and Malaysia the top three countries by asset size.

The industry is attracting new entrants across banks and fintech.

There have been notable bank conversions and fintech companies addressing the Sharia opportunity:

- Emlak Katilim Bankasi is the sixth Shariah-compliant bank in Turkey having gained approval from the Turkish banking authority, Bankacilik Duzenleme ve Denetleme Kurumu (BDDK).³¹
- Expansion of GIB, as it establishes itself in Saudi Arabia as a local bank through full conversion of GIB Bahrain Saudi branches, being regulated fully by the Saudi Arabian Monetary Authority (SAMA).³²
- Stellar, a California-based cryptocurrency firm, gets Shariah compliance certification for its blockchain platform and related cryptocurrency, highlighting how fintechs are expanding their footprint to include growth markets globally.³³
- Huulk, a new digital exchange based in Dubai, will host Shariah compliant financial technology start-ups and becomes part of a growing number of firms looking to modernize the Islamic finance landscape.³⁴
- Investree, Indonesia's pioneer market place for peer to peer lending, will start distribution of Indonesian government sukuk.³⁵

Notable investment activity, but with substantial room for growth.

There has been substantial investment activity in Islamic finance institutions spanning the spectrum of venture capital, private equity and corporate acquisitions, with several notable investments:

- Wahed Inc., the first halal Robo-advisor from the US, made itself available globally to over 130 countries, and raised additional funding of \$7.6 million, led by its existing investors, Cue Ball Capital.³⁶
- Pakistan-based Meezan Bank raised \$58.6 million from foreign institutional investors.
- Mubasher Financial Services of Bahrain acquired a majority stake in Al Safwa Islamic Finance Services for \$208 million.

There have been substantial bank mergers across the GCC, driving the creation of scaled, global entities:

- The merger between Kuwait Finance House (Bahrain) and Ahli United Bank, finally underway as it enters the due diligence process, is set to create one of the largest Islamic banks in the world.³⁷
- SABB and Alawwal merge to become Saudi Arabia's third largest bank, with a process expected to take up to three years.³⁸
- Abu Dhabi Commercial Bank merges with Union National Bank and acquires Al Hilal Bank to become its Islamic banking arm.³⁹
- Qatar's Barwa Bank and International Bank of Qatar complete a legal merger, calling the new Islamic lender Lusail Bank.⁴⁰

Sukuk is an increasingly important financing tool for large businesses and governments.

Sukuk are being raised at record levels by government, infrastructure and corporate entities:

- There has been notable issuance by governments with Indonesia's government issuing sukuk to fund \$1 billion worth of infrastructure projects⁴¹, and Oman issuing sukuk worth \$1.5 billion, leveraging leading investment banks, notably JP Morgan and Standard Chartered.⁴²
- IDB issued a \$1.3 billion sukuk, maintaining its position as a regular issuer of international sukuk.⁴³
- There has been notable corporate issuance of sukuk, including \$500 million by Almarai, the largest dairy company in the GCC⁴⁴, and a debut 10-year sukuk worth \$1.25 billion issued by Saudi Telecom.



OPERATIONAL DEVELOPMENTS

Robust profitability, with emerging digitization among banks and other financial institutions.

There are early signs of digitization in Islamic finance.

Islamic financial institutions are starting to adopt new technologies, but there is substantial room for more innovation and collaboration with Islamic fintech start-ups:

- Bahrain Islamic Bank launched the first full-fledged digital bank in Bahrain.⁴⁵
- Al Hilal Bank of the UAE initiated the world's first sukuk transaction using blockchain technology.⁴⁶
- Zurich Takaful has collaborated with Souqa Fintech's PayHalal online payment system.⁴⁷
- Three takaful companies have featured among five insurers that registered to use a new Dubai-based blockchain platform.⁴⁸

The industry is showing increasing profitability.

Islamic banks have earned record profits driven by increased demand for Shariah compliant deposits and financing products during financial year ended 2018:

- Emirates Islamic Bank reported a net profit increase of 97 per cent year-on-year.⁴⁹
- CIMB Malaysia recorded a 24.7% rise in net profits over the previous year.⁵⁰
- Islamic bank Kuwait International Bank recorded an 18% growth in net profits over the previous year, totaling a \$69.24 million net profit.⁵¹

NATIONAL DEVELOPMENTS

There is increasing emphasis on Islamic finance by OIC governments, with a strong link to GDP growth and Islamic economy development.

OIC countries are increasingly recognizing the importance of Islamic finance.

Several countries have developed national strategies and have sought to use Islamic finance as a tool to support national developments:

- Uzbekistan is set to welcome Islamic finance within its borders as the country set up an Islamic finance institution in an effort to revamp the economy.⁵²
- The Indonesian government through its recently established National Shariah Finance Committee launched the Islamic Economy Masterplan 2019–2024, with the express goal of boosting the role of Islamic finance in driving economic growth,⁵³ supported by the development of a national roadmap for Islamic fintech.⁵⁴
- Morocco issues its first ever Islamic sovereign *sukuk*, which will be based on the contractual structure of *Ijarah*, worth \$116 million.⁵⁵



ENABLING ECOSYSTEM DEVELOPMENTS

While the regulatory and educational ecosystem is developing, the lack of global alignment continues to hold the industry back.

Lack of global harmonization remains, but notable regulatory improvements have been made.

There have been promising regulatory developments to encourage industry growth, but global harmonization on Islamic finance standards remains lacking:

- Due to increased lobbying from Islamic financial institutions in the UK, the government is now seeking to ensure tax parity with conventional finance, for example for mortgage refinancing.⁵⁶
- Updated and new guidance for Islamic banks is underway in Bahrain.⁵⁷
- Takaful Malaysia converts composite license in compliance with IFSA13 in order to achieve better takaful growth and governance.⁵⁸
- Saudi Arabia reduces fees for sukuk and bonds to encourage secondary market trading of debt.⁵⁹

Regulatory amendments and initiatives across the GCC and Southeast Asia could unlock the full potential of Islamic fintech:

- UAE and Saudi Arabia initiate fintech work to support cross-border settlements that include a digital currency related project⁶⁰ and have launched a new joint cryptocurrency to be used by banks.
- The Central Bank of Malaysia is in the final stages of establishing licensing requirements for virtual banks, to be completed by end of 2019⁶¹, and has granted the first Islamic fintech crowdfunding license to Ethis Ventures.⁶²
- The first two fintech licenses have been awarded by the Saudi securities regulator to start-ups to provide crowdfunding investment services.⁶³

SOCIAL IMPACT

Islamic finance is establishing a strong link with resolving Sustainable Development Goals (SDGs).

Islamic finance is playing a bigger role in supporting the environment and driving development, with a clear mapping in the 2018/19 report of Islamic Finance to 11 SDG goals, including eradicating poverty.

Islamic financing is playing a bigger role in addressing Environmental, Social and Governance (ESG) objectives:

- Bank Islam Malaysia Berhad (BMIB) invests in a new ESG fund with Commerce International Merchant Bankers (CIMB), showing further collaboration between key players in the industry.⁶⁴
- UAE-based developer and shopping mall operator, Majid Al Futtaim, issues \$600 million green sukuk for investment in areas such as renewable energy and sustainable water management.⁶⁵
- There is greater scope for government issuance of green sukuks, following the example of Casablanca Finance City (CFC), which raised \$35.8 million via a green bond to finance its environmentally friendly real estate program.⁶⁶

There have been substantial developments across zakat, waqf and Islamic micro-finance that promise to drive positive social impact:

- UNCHR, the United Nations refugee organization, launched the Refugee Zakat Fund in 2019, aiming to raise \$200 million for displaced families in the MENA region, and raising \$38 million by mid-year 2019.⁶⁷
- Islamic fintech has seen notable development with Malaysia-based Islamic fintech start-up HelloGold partnering with Africa and China focused micro-lender Baobab[†] and the launch of Finterra which is developing a blockchain-based waqf platform.⁶⁹
- The Indian government digitizes and geo-tags all waqf properties across the country and will provide full funding to develop educational institutions and hospitals on them.⁷⁰



2019 Signals of Opportunity



Developments in the Islamic finance sector throughout the 2018/19 period have been highly encouraging with substantial merger, investment and sukuk activity. Record profits point to the increasing viability of Islamic finance, with governments increasingly seeking to encourage Islamic finance activity, and an increased role for the industry in driving positive social impact. Digitization of leading institutions remains slow, however, and the industry remains held back by the lack of global regulatory alignment.



◆ THE SECTOR IS REALIZING ITS POTENTIAL FOR SOCIAL IMPACT, WITH SUBSTANTIAL RUNWAY.

The increasing importance of Environmental, Social and Governance (ESG) criteria in Islamic finance is encouraging. Together with the growth of micro-finance and the strengthening of zakat through UNHCR's Refugee Zakat Fund, the sector's positive social impact is growing. There is a substantial role, however, for Islamic finance to play a much bigger part in eliminating poverty and addressing environmental challenges.

◆ REVENUE DEVELOPMENTS HAVE BEEN ROBUST WITH SUBSTANTIAL SCOPE FOR INVESTMENT AND LINKAGES WITH HALAL FOOD.

Underpinned by a 3.5% growth in assets, there have been substantial investments in Islamic finance companies and new entrants have been attracted to the industry. There is substantial scope, however, for increased investment and product innovation, with CIMB's Halal corridor illuminative greater convergence with Islamic Finance and Halal trade.

◆ ISLAMIC FINTECH DRIVING OPERATIONAL DEVELOPMENTS POINT TO IMPROVING PROFITABILITY AND SCALE.

Mergers and increasing profitability are encouraging for the industry, but there remains a slow pace of digital innovation among banks, and while a positive development, there is a risk to incumbents from new Islamic Fintech entrants quickly gaining market share over time.

◆ NATIONAL ECONOMIC DEVELOPMENTS ARE ENCOURAGING.

More OIC governments are realizing the importance of Islamic finance to support Islamic economy and broader GDP growth, with promising signals from Morocco, Uzbekistan and Indonesia that could drive new growth markets for the industry.

◆ REGULATORY DEVELOPMENTS HAVE BEEN MOSTLY LOCALIZED.

There remains a lack of global alignment of Islamic finance standards, although promising developments in Southeast Asia and the Gulf Cooperation Council (GCC) serve as case studies on how to encourage growth in Islamic finance.



Strategic Considerations by Stakeholder

OVERVIEW

The Islamic finance industry is a high growth industry that is maturing, although with substantial opportunities remaining for investors, governments and businesses to better address the faith-inspired ethical needs of business and retail consumers.

With Islamic finance assets projected to grow by 5.5% per annum to reach **\$3.5 trillion** by 2024, there are substantial opportunities, with strategic imperatives by stakeholder group highlighted below, together with top opportunities.



Investors

- Review strategic alignment of Islamic finance and ESG objectives.
- Work with specialists to identify suitable asset classes and opportunities.
- Extend portfolio to include aligned products.



Government

- Develop a national Islamic finance strategy, linked to the Islamic and ethical economies.
- Work closely with key stakeholders across the ecosystem to drive the strategy roadmap.
- Rationalize standards, working closely with other countries.



Business

- Extend propositions to ethical considerations.
- Conduct careful market segmentation and customer needs analysis.
- Develop a clear innovation and activation plan, including investor engagement.

Select Attractive Opportunities

Attractive solution categories	Attractive countries for investment and development
Islamic Trade Finance (in particular in trade receivables and factoring)	UK (Fintech and broader market development)
Microfinance	Pakistan (Product innovation and broader market maturity)
Islamic Fintech (in particular P2P Finance and InsureTech / Takaful)	Uzbekistan (Broader market development)



Source: Based on interviews with market participants; not exhaustive



INVESTORS

Appetite for Shariah investing continues to grow; however, the lack of financial engineering and product variety can limit the ultimate scale of the industry.

+

INSTITUTIONAL AND RETAIL INVESTOR PARTICIPATION IN ISLAMIC FINANCE HAS SUBSTANTIAL ROOM FOR GROWTH.

The market for Shariah compliant investing has been growing steadily in recent years, attracting increasing interest from high net worth individuals, private banks and retail investors, with substantial M&A activity noted.

Through a dedicated focus on Islamic finance, institutional and retail investors have the opportunity to fulfill ESG criteria and access lucrative opportunities across the spectrum of takaful, infrastructure and private equity, with M&A playing an important role.

Notable developments

Substantial growth in sukuk issuance to \$84 billion in the first half of 2019, including a \$750m green sukuk by the Indonesian government.

Analogs

Mutual funds in India have been growing at more than 10% annually, including Tata Ethical investment, which is Shariah compliant.

Potential outcomes by 2030

Islamic finance will become widely available and investable, giving rise to a \$5 trillion+ industry.

-

THERE IS A LACK OF PRODUCT VARIETY, CURTAILING DEMAND.

Investors favor fixed investment returns, while issuers seek to distribute risk via equity arrangements, with substantial financial engineering required to align expectations, which has limited product innovation.

Risk

Growth slows down, and investors are diverted to alternative ESG opportunities.

INVESTOR ROADMAP



Review strategic alignment of Islamic finance and ESG objectives.



Work with specialists to identify suitable asset classes and opportunities.



Extend portfolio to include aligned products.





GOVERNMENT

Islamic finance can play a critical role in boosting economic growth. Lack of alignment on standards remains a priority, however, to unlock the growth of the industry.

+

ISLAMIC FINANCE IS ENHANCING ITS CONTRIBUTION TO THE ECONOMIC DEVELOPMENT OF OIC COUNTRIES.

The Islamic finance industry represents an ethical alternative to traditional finance and is a critical backbone for businesses across the Islamic economy as well as for Muslim consumers.

OIC countries are increasingly seeking to strengthen Shariah compliant ecosystems, which can play a critical role in supporting businesses and driving GDP growth.

Notable developments

While Malaysia and Saudi Arabia have the most developed sectors, many countries are seeking to boost their Islamic finance sectors, notably Indonesia, which has launched an Islamic economy masterplan to reignite Islamic finance.

Analogs

London, New York and Singapore have established themselves as global financial hubs, driving economic growth; similar efforts can create Islamic finance hubs.

Potential outcomes by 2030

The GDP of OIC countries continues to rise with Islamic finance playing an imperative role integrating itself in national plans and strategies.

+

ISLAMIC FINANCE STANDARDS HAVE THE POTENTIAL TO BECOME A GLOBAL ETHICAL FINANCE BENCHMARK.

Islamic finance can extend its global reach through robust standards. The industry needs robust alignment and broader adoption of existing standards that have been developed by the Islamic finance standard setting bodies spanning AAOIFI, IFSB and IIFM.

Regtech (regulatory technology) also needs to be incorporated into Islamic standards.

Notable developments

The development of standards by current standard setting bodies: AAOIFI, ISB and IIFM.

Analogs

ESG criteria for investments have become increasingly standardized, going beyond corporate social responsibility.

Potential outcomes by 2030

Islamic finance standards are considered the leading benchmark for ethical finance practices, with a broad reach beyond Muslim owned businesses.

-

LOW ADOPTION RATE OF STANDARDS AMONG ISLAMIC BANKS AROUND THE WORLD.

Despite more comprehensive standards in the areas of accounting and governance, there is still little standardization of Islamic finance. Adoption rates of regulations remain low, with only a handful of countries fully adopting AAOIFI's robust accounting standards as well as its Shariah standards.

Risk

Islamic finance remains a niche industry, with growth reliant on a handful of leading countries, notably Bahrain, Malaysia, UAE and Saudi Arabia.

STRATEGIC IMPERATIVES



Develop a national Islamic finance strategy, linked to the Islamic and ethical economies.



Work closely with key stakeholders across the ecosystem to drive the strategy roadmap.



Rationalize standards, working closely with other countries.



BUSINESSES

There remain substantial unmet needs for Islamic finance to address, though banks are slow to innovate and evolve digitally and risk losing market share.

+

ISLAMIC BANKS CAN UNLOCK SUBSTANTIAL GROWTH AND PROFITABILITY THROUGH DIGITIZATION.

The impact of disruptive technologies is evidently affecting the Islamic finance landscape, with banks increasingly pursuing innovation.

The adoption of new technologies and the establishment of in-house innovation units will rapidly enhance growth and help develop global, scaled entities.

Notable developments

Islamic banks, globally, are going digital as can be seen from initiatives such as Bahrain's BISB which now has a digital only branch, and Waqfe, which has recently developed a fully mobile platform that builds secure digital banks.

Analogs

Citibank enters into a strategic partnership with a software company specializing in cloud-based integrated receivables to launch Citi® Smart Match.

Potential outcomes by 2030

Global Islamic investment banks emerge with diversified operations spanning retail, takaful, advisory and investment management, with over \$1 billion in assets.

-

LACK OF A PROPER STRATEGY AND CAPITAL TO SUPPORT THE ADOPTION OF FINTECH.

The industry overall has been slow to respond to technological adaptation, with a rapid rise in fintech start-ups.

Risk

Existing Islamic financial institutions lose market share, with new forms of financial institutions eventually taking over.

+

ENTREPRENEURS CAN DEVELOP THEIR HALAL INDUSTRY BUSINESSES THROUGH SYNERGY WITH ISLAMIC FINANCE.

The success of fintech providers such as Wahed Invest and Ethis is very promising.

The lack of Shariah compliant financing options for Muslim entrepreneurs and limited Shariah compliant products for households represents substantial opportunities for entrepreneurs, who have the opportunity to develop broad ESG propositions.

Notable developments

The growing number of Muslim consumers coupled with the increasing offering of halal-certified products driving the global halal market.

Analogs

ESG is now top of mind for investors and portfolio managers, according to a recent HBR interview of 70 senior execs at 43 global institutional investing firms.

Potential outcomes by 2030

Multiple unicorns created in the Islamic finance industry, that are either listed on stock exchanges or are acquired by financial institutions.

-

ISLAMIC FINANCE LITERACY REMAINS LOW.

The impetus to develop new Islamic finance products and services is currently limited, with a lack of tangible support for entrepreneurs and limited engagement with Islamic finance institutions.

Risk

Unfulfilled potential due to the lack of collaboration between the Islamic finance and halal industries.

STRATEGIC IMPERATIVES



Extend propositions to ethical considerations.



Conduct careful market segmentation and customer needs analysis.



Develop a clear innovation and activation plan, including investor engagement.

SPONSORED CONTENT

The Growing Need for Global Solutions



A YOUNG SYRIAN REFUGEE HOLDS BLANKETS AFTER A UNHCR DISTRIBUTION OF CORE RELIEF ITEMS AT THE FLOODED INFORMAL SETTLEMENT OF BAR ELIAS IN BEKAA VALLEY, ON THE SECOND DAY OF STORM NORMA.

By Houssam Chahin

Global displacement is at an all-time high. Across the globe, wars, violence and persecution continue to push record numbers of people from their home. UNHCR, the UN Refugee Agency estimates that an average of 37,000 people were uprooted from their homes every day in 2018.

We are living through turbulent times, and witnessing record numbers of people forced to run for their lives in search of safety, both within their own countries and across borders. By the close of 2018, 70.8 million people were displaced, this is a number larger than the population of the United Kingdom. Of them, 20.4 million are refugees under UNHCR's mandate, nearly double what it was in 2012 when it stood at 10.5 million.

This rapid growth in displacement continues to outpace the rate at which solutions are being found for people who become displaced. Multiple crises across the world are competing for recourses and aid agencies are threatened by donor fatigue. Dwindling international funding is

having a severe impact on aid agency's ability to deliver timely assistance to displaced people.

UNHCR is one agency impacted by dwindling resources, facing a funding gap of 57% for its global operations. This is having a direct impact on its ability to deliver lifesaving assistance to those in need.

Many of these refugees, 15.9 million to be precise (78 per cent of all refugees) were in protracted situations at the end of 2018. Of this number, 5.8 million have been refugees for over 20 years. The protracted nature of these crises and their increasingly complex nature has made it evident that there is a need for new and innovative approaches to addressing the immediate and long term needs of people in displacement.

These realities, hence, require a global effort and a whole community approach, and Islamic finance and philanthropy is one such solution, with a big role to play in the alleviation and support of one of the world's largest humanitarian crises. Acknowledging the potential of the Muslim world to transform philanthropy through



TOP: A SYRIAN REFUGEE CARRIES BLANKETS AFTER A UNHCR DISTRIBUTION OF CORE RELIEF ITEMS AT THE FLOODED INFORMAL SETTLEMENT OF BAR ELIAS IN BEKAA VALLEY, ON THE SECOND DAY OF STORM NORMA.

BOTTOM: MOHAMED, A YOUNG REFUGEE FROM DEIR EZ-ZOR CARRIES BLANKETS AFTER UNHCR DISTRIBUTION.



strategic targeting of tens of billions of dollars of obligatory alms, UNHCR launched, in May 2019, The Refugee Zakat Fund; a Sharia-compliant, global structure, that transformed UNHCR's existing Zakat program into a global fund aimed at aiding the most vulnerable displaced populations, while meeting the needs of Islamic institutions as well as individuals in fulfilling their social responsibility. The Fund allows UNHCR to diversify available donation options in support of displaced children, women and men in need.

Research shows that global Zakat giving stands at US\$76 billion worldwide, and could potentially reach an amount as high as US\$ 356 billion, if proper mechanisms are in place for Muslims to safely fulfill their Zakat obligations.

Since its launch, we have witnessed a tremendous positive turnout of support from the community, with the Refugee Zakat Fund, raising US\$38.1 million thanks to generous contributions from donors around the world. Donations received have since gone to support over 640,000 refugees and internally displaced

persons (IDP) in Yemen, Lebanon, Iraq, Egypt, Jordan, and Mauritania through cash assistance. In the short time since its launch, the Refugee Zakat Fund has also expanded its geographical scope of support to cover Rohingya refugees in Bangladesh displaced due to conflict from Rakhine State in Myanmar, in addition to allowing for the donation of sadaqah jariyah contributions.

This is a tremendous achievement that would not have been possible had it not been for the generosity of the Muslim communities. However, despite the outpour of support, more needs to be done to address the mounting needs of displaced people worldwide.

In MENA, where I am currently based, we are bracing for another bleak winter. UNHCR estimates that 3.88 million vulnerable refugees and internally displaced people will need help to get through it. UNHCR needs over US\$220 million to provide life-saving assistance for these families to make sure that no one who needs help is left out in the cold. The situation is desperate. The importance of guaranteeing this assistance cannot be stressed enough. UNHCR's winter assistance includes blankets, plastic sheets and winter clothes, as well as weather-proofing and repairs for shelters, in addition to providing seasonal cash assistance for families to meet their needs during the winter months.

The needs are immense and the onus is on every individual to help make a difference. We at UNHCR will continue to advocate for the support of those most in need, and I believe, that in the near future, Islamic and other faith based philanthropic initiatives, will have a large role to play in finding sustainable and impactful solutions for those needs.



SPONSORED CONTENT

The Halal Corridor: A US\$2.2 Trillion Market Opportunity



The growing global market for halal products across multiple sectors represents a compelling value proposition in otherwise uncertain conditions. 2019 saw global market participants - from corporates to countries to institutions - re-imagine their respective roles, seeking firm resolution to the US-China trade disputes. Amidst this backdrop of uncertainty, growing global and intra-regional trade for halal goods has continued unabashed along new and traditional trade routes, some going back over two millennia from East to West and encompassing all regions in between.

From the 2nd century BCE to as recently as the 18th century, the Silk Road land routes connected East and Southeast Asia to South Asia, Persia, the Arabian Peninsula, Africa and finally to Europe. The global development strategy, Belt and Road Initiative (BRI), initiated by China to infrastructurally link these long standing economic routes, continues to dominate regional and global conversations. It could potentially impact over 150 countries, and would also draw responses from established global superpowers.

Amidst this backdrop, and in contrast to greater declines in the overall population growth of more mature economies leading to saturation, the growth of Muslim populations worldwide continues to buck the trend. Led by Southeast Asia and the engine of emerging Indonesia, as well as the Middle East and significant Muslim minority populations in Western economies, the demand for halal across all sectors represents a considerable value opportunity.

Across various sectors encompassing halal consumables – food and beverage, agribusiness, pharmaceuticals – but also in new markets such as beauty and cosmetics as well as modest fashion, the growing market demand for halal continues unabated, fueled by the consumptive power of Muslims across the globe. Islamic banks, with their emphasis on integrity in ensuring financial transactions are free of interest, have a significant role to play in supporting halal trade via these ecosystems - empowering Muslims in adhering to their beliefs and enabling the availability of more choice to meet the demands of these emerging consumers



MCDONALDS BOOTH AT MALAYSIA HALFEST 2019 IN KUALA LUMPUR, MALAYSIA. IMAGE CREDIT: FARID TAJUDDIN / SHUTTERSTOCK.COM

worldwide. For CIMB Islamic, the Halal Corridor proposition represents our answer to meet these demands in our role as a shariah-compliant banking institution.

The Halal Corridor is an enhanced network connecting new and established trade ecosystems with the infrastructure required to access the global market for halal goods. Now enhanced by modern financial systems in trade and technology, the Halal Corridor connects businesses to consumers and buyers to sellers across the value chain. The Halal Corridor proposition ensures that producers, manufacturers, suppliers, wholesalers and retailers are given the right solution to enable their ability to meet this demand.

While global economies are already connected through supply chains, the demands of halal market consumers require the re-imagining of existing networks, and how they can deliver goods to the halal consumer. Halal consumers require that food and products are prepared in a manner which is permissible according to Sharia law and that these are then delivered free from

external contaminants via the supply chain. In addition, consumers are rightfully demanding that products are ethically and sustainably sourced and that no harm was caused in the preparation of the final product. By combining infrastructure and technology across established trade ecosystems, the Halal Corridor delivers market access, supply chain, certification and logistics for providers as well as the Islamic banking and financial solutions required to complete the integrity of the supply chain for halal consumers.

In Malaysia, CIMB Islamic has developed strong relationships with trade bodies and regulators across the ASEAN region, providing clients the ability to not only access opportunities via on-ground trade events and expos, but the ability to navigate the business together with legal and regulatory requirements for providing halal products to the end consumer.

CIMB Islamic is a pioneering member of the Trade Club Alliance, a bank-backed trade network of credible buyers and sellers across the globe,



CIMB Islamic, via its relationships with key certification bodies in its home markets in Southeast Asia (home to the world's largest Muslim population), enables potential halal providers to achieve "Halal-Ready" status. From there, strong relationships with established logistics providers and strategically located halal hubs enable halal products to be safely warehoused and freight to be transported to their intended destination whilst ensuring the full integrity of the halal-certified product is maintained. The financing solution from CIMB Islamic takes into account the requirements of the entire mechanism from production to the halal consumer ("from Farm to Fork"), potentially involving financing for upgrading of business premises to import-export financing and payment of other providers involved in delivery.

The entire Halal Corridor proposition by CIMB Islamic is enhanced by platforms and technology which address and facilitate trade across the ecosystem. These ensure integrity, reduce time-to-market and assure the availability of buyers and sellers of the components of the final halal product. Trade client relationships are managed at country-of-origin across the most extensive homegrown banking network in Southeast Asia, further linking to reciprocal relationships and a global ecosystem powered by technology.

providing business matching opportunities across thousands of suppliers via an electronic platform that is open to trade clients of the bank. Developments in blockchain technology, built upon the principle of traceability, mean that the halal product is traced from point of origin to final delivery, removing the chance of contamination and ensuring consumer confidence, particularly if the product is ethically or sustainably sourced.

CIMB Islamic is leading the development of global halal trade. From our home base in ASEAN, the intent is to connect participants across the value chain and provide greater choice to meet the demands of halal consumers worldwide. By combining market access opportunities and networks with the infrastructural and technological platforms and, perhaps most importantly, the Shariah-compliant financial solutions required to ensure the integrity of these transactions, the Halal Corridor represents an end-to-end solution that empowers global trade and growing consumer choice.



EXCLUSIVE INTERVIEW

The Lack of Data and Information for Strategic Decision Making in the Islamic Finance Industry



By Mustafa Adil
Head of Islamic Finance,
Refinitiv



Mustafa is the Head of Islamic Finance for Refinitiv. He is responsible for leading the Islamic finance and Islamic markets business for the organization, providing knowledge solutions and bespoke services to government entities, multilateral organizations and

leading financial institutions to support them in fulfilling their aspirations and executing their strategies in the Islamic markets space. These include the delivery of knowledge solutions, research, consulting services and market engagement.

Islamic finance growth in 2018 declined to 3% compared to 7% in 2017. What would you consider is the main factor for the slowdown in growth?

There are a number of factors that have contributed to this slowdown. The overall macroeconomic conditions, geopolitical tension in key Islamic finance markets, and the threat of trade wars have all contributed to a slowdown in economic and banking growth. The Islamic finance industry is no exception, but there are some factors that are specific to our industry. As the industry reaches maturity in established Islamic finance markets in Malaysia and GCC, experts have predicted that growth would be mostly driven by emerging and frontier Islamic finance markets. We are already seeing a number of governments in markets across central Asia, Southeast Asia and Africa promoting policies to facilitate the growth of Islamic finance. Despite this, these markets have not demonstrated the level of growth that was expected, and a number of structural challenges continue to persist, such as standardization, awareness and access to information and expertise. Unless these are addressed, it is unlikely that these new markets will be able to carry the growth of the Islamic finance industry.

What can the Islamic finance industry do to address these structural issues?

To address these challenges, the industry must come together to create a global ecosystem for Islamic finance. Currently, we have several disconnected hubs that each operate at different stages of their development and focus on addressing the specific needs of their domestic markets. Emerging and frontier Islamic finance markets have a distinct disadvantage when it comes to engaging with the more developed markets or benefiting from their information expertise. The industry needs to work to create a global ecosystem, driven by technology, that can narrow the information gap so that institutions in Africa and/or America have the same access as institutions in Bahrain, Malaysia and the UAE.

What role can companies such as Refinitiv play in supporting the establishment of an Islamic Finance global ecosystem?

As the world's largest provider of data and information, we at Refinitiv have a critical role to play. Islamic finance has been a key area of focus for us since 2001. We provide data and insights to over 400,000 financial professionals around the world, who rely on our information for strategic decision making. In Islamic finance, we have noticed a significant demand for not just financial information, but also for qualitative information related to regulations, fatwa, standards and other content sets. For an Islamic bank, it is equally important to know the structure and share consideration of a sukuk, as it is to know the price, return, and credit worthiness of the issuer.

Therefore, we have focused on collecting and distributing financial and qualitative information to the industry. Our Islamic finance development indicator (IFDI) is the most comprehensive Islamic finance database available today. We collect the details of every Islamic institution that discloses its financials (over 1400 institutions in 72 countries) and can provide a dollar by dollar breakdown of the \$2.5 trillion Islamic finance industry. Supplementing this, we provide extensive information related to Islamic money markets, sukuk, equities, indices, funds and other content, to ensure our clients are empowered with the market information they require.

In addition, on the qualitative side, we have developed a comprehensive Sharia and legal monitor for the Islamic finance industry. The Sharia and legal monitor provides a database of various content sets covering more than 20,000 data points including regulations, standards, fatwa, sample contracts, guidance notes, scholar information and many others. This information has been translated to English (where required) and has been smart tagged to ensure users from around the world can easily access and benefit from this information.

With the growth of fintech around the world, what impact do you think this will have on the Islamic finance industry, particularly with regards to the structural challenges you mentioned?

Fintech is going to be a complete game changer for the Islamic finance industry. Fintech will breakdown borders to create a global industry and enable institutions to provide the next generation of products and services, along with transparency, that will bring the industry closer to its core principles. In addition, technology will improve the efficiency of Islamic institutions, so that there will be no operational or cost disadvantage for Islamic banks compared to the conventional ones.

However, in order to achieve this, we have to work towards addressing the structural challenges facing the industry. Standardization must be promoted across markets to create a global industry rather than a number of individual self-contained markets. Awareness needs to be increased amongst all stakeholders to align expectations and increase adoption of Islamic finance solutions. And finally, we must address the issue of access to information and expertise. Without this, we will continue to see different markets developing at different rates, with inefficiency and other hurdles hindering the growth of Islamic finance in emerging and frontier markets.

For more information about our offerings, please contact the Islamic finance team at IFG@Refinitiv.com



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DIGITAL
SOLUTIONS



Muslim-Friendly Travel

SUMMARY

Muslim-friendly tourism is more widespread than ever before, with offerings ranging from beach resorts to family-oriented hotels, and from travel agencies to apps to book and rate a vacation. While segregated swimming pools and halal restaurants have enabled Muslim-friendly tourism to develop in many markets, digital solutions have been key to unlocking the wider potential.

Over the past year, numerous online travel agencies have emerged, ranging from UmrahMe, to the UK's Serendipity Tailormade's new online Muslim-friendly travel agency Rihaala.com, and Malaysia-based HalalHoliday.

There has also been a strong focus on the annual hajj and umrah pilgrimages to Saudi Arabia, which attract close to 10 million pilgrims per year and generate over \$8 billion in revenue. With the kingdom planning to attract 30 million pilgrims a year for umrah under its Vision 2030, digital solutions are enabling such aims to be realized. Saudi Arabia's Ministry of Hajj and Umrah has signed memorandums of understanding with several online travel agencies, including mainstream sites Agoda and Booking.com, while HolidayMe, a GCC based online travel agency, launched UmrahMe, which provides customizable umrah packages.

OIC governments' plans to bolster tourism revenue are further driving investment in the sector. Saudi Arabia is seeking \$20 billion through 2035 for its planned al-Ula project, while Turkey, Malaysia and Indonesia have pushed for the expansion of Muslim-friendly tourism. In late 2018, the Indonesia Muslim Travel Index (IMTI), which ranks the country's provinces on their Muslim-friendliness, partnered with Mastercard and CrescentRating, while Malaysia's Islamic Tourist Center launched a Muslim-friendly hotel recognition initiative in July 2019.

Muslim spend on travel was valued at \$189 billion in 2018, and is forecast to grow to \$274 billion by 2024.

Non-Muslim majority countries are also increasingly marketing their countries to Muslims, with Japan for example promising to provide a Muslim-friendly environment for the 2020 Tokyo Olympics.

Yet while there is investment in infrastructure, online travel agencies are attracting the most investment in the Muslim-friendly travel market. HolidayMe raised \$16 million in funding led by China's Gobi Partners along with India's Accel Partners, the UAE's Global Ventures, Egypt's Algebra Ventures, and Lebanon's B&Y Venture Partners, and merged with Tripfez, a Malaysian Muslim-friendly online travel agency. Indonesia's Traveloka raised \$420 million in a funding round led by Singapore's sovereign wealth fund, and Pakistan-based online travel agency Sastaticket.pk received \$1.5 million led by Gobi Partners.

Tech platforms are expected to propel the sector forward. For example, Have Halal, Will Travel, an online travel guide, has launched a chatbot named Sophia on their platform.

Muslim-friendly Travel



CONSUMER OPPORTUNITY



\$189 BILLION of spending by



1.8 BILLION Muslims spend on Outbound travel (2018 est.)



6.8% year on year growth

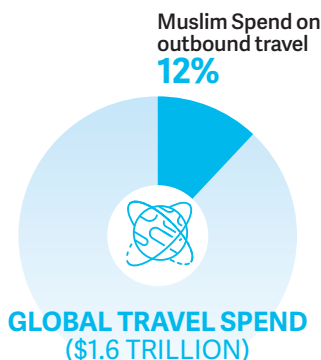
Projected CAGR growth



6.4% 2018-24 to



\$274 BILLION by 2024



72.5 MILLION outbound Muslim travelers 2018



\$1.5 BILLION Umrah online booking value (2018 est.)



GOVERNMENT OPPORTUNITY

OIC can experience **1% boost** in GDP through Muslim-friendly Travel

MUSLIM-FRIENDLY TRAVEL - GIE INDICATOR RANKING

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



BUSINESS OPPORTUNITY

New businesses or business units can feasibly generate **over a billion dollars** in revenues across Muslim-friendly Travel

2020 HOT SECTORS FOR GROWTH



Customized digital Muslim-friendly travel



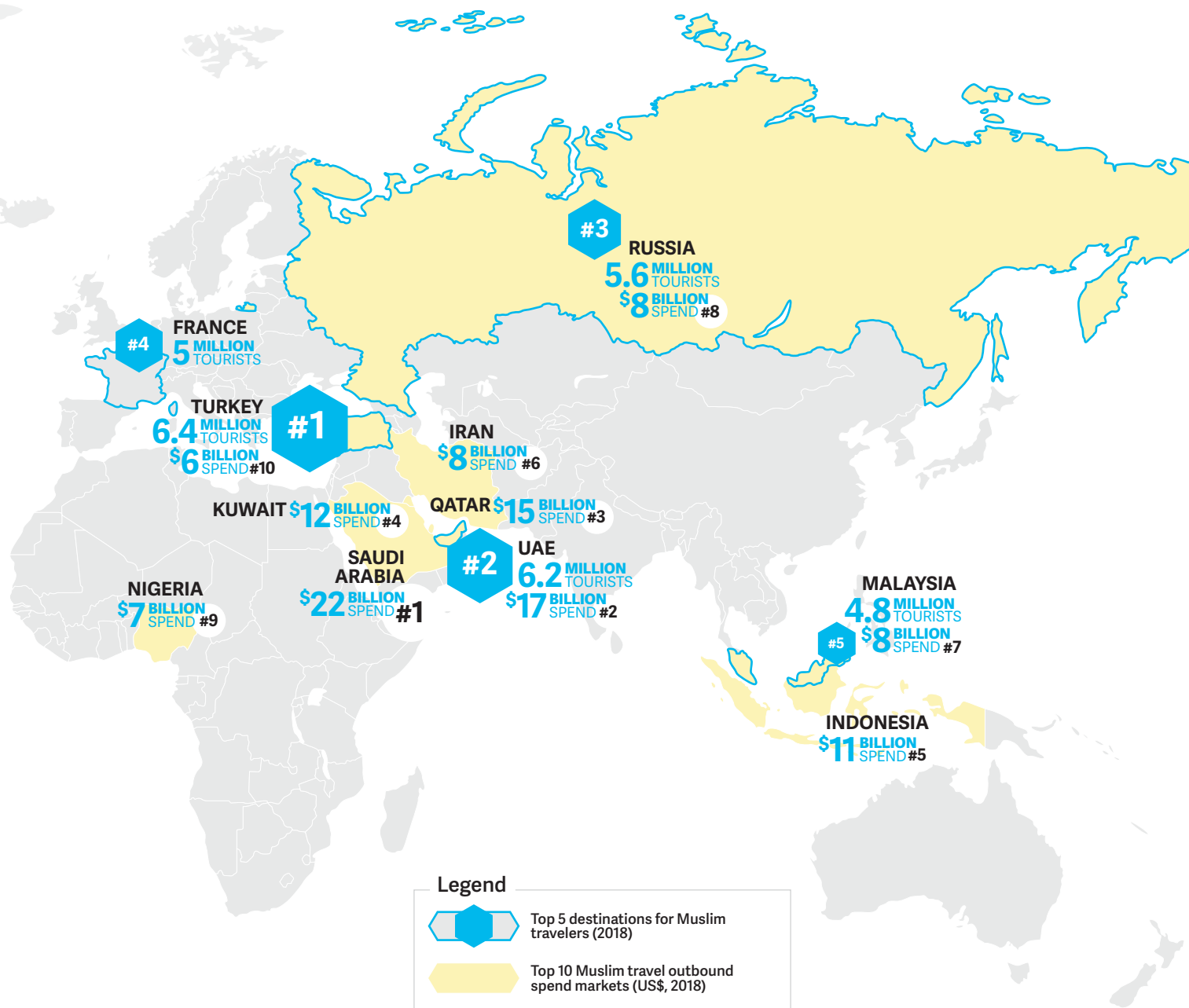
Umrah-tech



Sustainable travel



Halal beach resorts



INVESTOR OPPORTUNITY

Despite strong growth, IE deal value remains far below potential...investors have substantial runway

\$42  **MILLION** in investments in Islamic Lifestyle in 2018/19*

\$16M

TRAVEAZY DMCC (dba HolidayMe) (United Arab Emirates) secured investment from Gobi Partners (Malaysia)

WEAK SIGNALS

- Investment in Halal OTC propositions
- Venture opportunities in emerging Umrah Tech propositions
- Expanding government initiatives

related products exports based on ITC Trademap 2018 data; Investments (figures and individual deals) are based on a detailed scan of the Zephyr database between 2018 and 2019; Enablers data, if shown, is based on Sovereign Wealth Institute (SWF Assets); the 2019 Bain Private Equity Report (Dry Powder), and Bloomberg News (2016). Inbound spend based on DinarStandard analysis of ITC trademap. Umrah figures based on extensive DinarStandard analysis and in-house data.



CONSUMER LENS ON MUSLIM-FRIENDLY TRAVEL



Mr. Arief

AGE:
51 Years

INCOME:
US\$4,900



Businessman, father of two

Loves family activities and
enjoys traditional local food.

*"The weekend is a
valuable moment to
spend quality time
with the family."*



MY VIEW



Muslim-friendly travel consists of services that in the first place demonstrate Islamic values, without losing their entertainment objectives.



I would prefer to go to places which have historical Islamic values where I can also enjoy traditional halal food, a mosque for my daily prayers, and local attractions which respect Islamic fashion principles and values.

MY SPENDING HABITS



I spend approximately USD 3000 to 4000 on a holiday or business trip, depending on the destination and season.



I have travelled with my family to Saudi Arabia for the hajj and umrah. When I am on a business trip to China, Japan, or Thailand, I always try to combine the business activities with some leisure visits to Islamic sites in these countries.

MY SHOPPING HABITS



I always do some online research first to explore the destination I am going to: looking for mosques, halal food outlets, historical Islamic sites.



A halal hotel should follow strict guidelines, such as serving only halal food, having prayer time indication, providing the Holy Quran in the room, indicating the Qibla for the prayers, but also validating the marriage status if a couple is checking in.



Islamic travel is important for me, because I believe that every Muslim should be doing good things and avoid bad things. So, using Islamic travel services helps me to practice my belief every day and enables me to create a halal ecosystem in every aspect of my life.

I WANT TO SEE MORE OF



More Muslim countries should explore the opportunity of Muslim-friendly tourism and develop this sector. This way governments can generate more revenue through Muslim-friendly tourism, and we can enjoy more places to visit, respecting Islamic values. Non-Muslim countries like Japan, China and Korea consider Muslim-friendly travel as a new big business opportunity to attract more tourists from Muslim countries.



CHALLENGES

1

Restaurants with traditional halal food are not always easy to find when travelling abroad.

2

Clean and tidy places.

3

Mosques where I can conduct my daily prayers.

4

Places where Islamic values in terms of fashion and behavior are respected.

2018/19 Developments

REVENUE DEVELOPMENTS

The Muslim-friendly travel market has seen top-line consumer outbound spend growth of 6.8%, with substantial growth and activity among specialized online travel agencies (OTAs).

Robust market spend growth

- Muslim outbound spend on travel globally has increased by 6.8% in 2018 from \$177 billion to \$189 billion, with Saudi Arabia, UAE and Qatar the top three countries by outbound spend.

There have been new and improved digital travel solutions serving the needs of Muslim consumers.

Several new digital solutions have emerged to better address the needs of Muslim travelers:

- British travel agent Serendipity Tailormade launched a new online Muslim-friendly travel agency, Rihaala.com, which also offers umrah bookings.⁷² The platform is a development from Serendipity Tailormade and Luxury Halal Travel's customized offerings, to address the needs of Muslim millennials to curate their own trips online.
- HalalHoliday is a new Malaysia-based, Muslim-friendly travel OTA that was launched in July 2019. It focuses on selling packages offered by traditional travel agencies, including hajj and umrah agencies.⁷³

Digital travel solutions are being developed for the hajj and umrah market that will shift the traditional role of hajj and umrah agents:

- HolidayMe, a GCC based online travel agency, launched UmrahMe in January 2019, which provides customizable umrah packages that include flights and hotels as well as online visas.⁷⁴ The company is one of the first travel agencies to get licensed by the Saudi Ministry of Hajj and Umrah.
- Saudi Arabia's Ministry of Hajj and Umrah has signed memorandums of understanding with several online travel agencies such as Agoda, Booking.com, Saudia Airlines, and others to provide umrah bookings⁷⁵; the Ministry is also exploring the use of a cloud-based digital platform to unify all of its pilgrim-related data and make digitization much easier.⁷⁶

OTAs and travel tech platforms in Muslim countries are securing substantial investments and can become leading participants in the Muslim-friendly travel market.

There have been limited investments in Muslim-friendly travel OTAs, but investments in OIC-based platforms could evolve into full-service offerings for Muslim travelers around the world:

- HolidayMe raised \$16 million Series C funding led by China's Gobi Partners along with India's Accel Partners, UAE's Global Ventures, Egypt's Algebra Ventures, and Lebanon's B&Y Venture Partners, and merged with Tripfez, a Malaysian Muslim-friendly online travel agency.⁷⁷
- Traveloka and Sastaticket.pk could both become leading contenders in Muslim-friendly travel, with Indonesia's Traveloka raising \$420 million in a funding round led by Singapore's sovereign wealth fund, GIC⁷⁸, and Pakistan-based online travel agency Sastaticket.pk receiving \$1.5 million in Series A financing led by Gobi Partners.⁷⁹
- Ride-sharing platforms could also develop tailored digital lifestyle services for Muslim travelers, such as Egyptian transport tech start-up Swvl, now valued at close to \$100 million⁸⁰ or Grab, a Singapore-based ride-sharing company, which raised \$1 billion to expand in Indonesia, and is seeking additional funds.⁸¹





OPERATIONAL DEVELOPMENTS

Technology is transforming travel, but halal has made very modest steps forward.

AI and autonomous mobility are transforming travel and halal will eventually need to adapt.

Advances in the use of machine learning to provide customized real-time solutions for travelers are being made, with some adoption by Muslim-friendly travel solutions to date:

- Have Halal, Will Travel, an online travel guide, launched a chatbot named Sophia on their platform. The chatbot answers people's questions across platforms, including Facebook, email, as well as the website.⁸²
- Dubai's Roads and Transport Authority (RTA) is planning to launch flying taxis. These are lightweight vehicles attached to suspended rails that can accommodate up to five passengers.⁸³

NATIONAL DEVELOPMENTS

OIC governments are increasingly emphasizing Muslim-friendly tourism.

There have been several tourism development initiatives across the OIC and Southeast Asia.

- Saudi Arabia is seeking \$20 billion in investments through 2035 for its planned al-Ula project. This project is in line with the kingdom's plan to shift from a purely religious travel destination to a heritage and leisure travel destination as well.⁸⁴ It is also developing a heritage tourism project at Souq Okaz city in Taif that will cost over \$2 billion, most of which is through private sector investment.⁸⁵
- Saudi Arabia started issuing tourist visas in September, 2019. Holders of these visas can stay a maximum of 90 days in Saudi Arabia, and are allowed multiple entries. These visas also allow women to travel without a male relative. Forty nine countries are eligible for electronic visas, which also cover umrah.⁸⁶
- Japan has been gearing up for the 2020 Tokyo Olympics by ensuring that it provides a Muslim-friendly environment. The Tokyo Convention and Visitors Bureau has been publishing a Tokyo Muslim Travelers' Guide and recently launched the 2019-2020 edition.⁸⁷
- Indonesia launched an Indonesia Muslim Travel Index (IMTI) in late 2018 in partnership with Mastercard and CrescentRating, which ranks its provinces on their Muslim-friendliness. Inaugurated by the Indonesian Minister of Tourism, the Index aims to create healthy competition among provinces in catering to Muslim travelers.⁸⁸



Orange County and Cape Town: non-Muslim destinations fast catching up with traditional halal travel hot spots:
<http://bit.ly/nonMuslimDest>

Article on travel agent's perspective on DIY Umrah:
<http://bit.ly/UmrahAgents>

Trends in Muslim-friendly travel:
<http://bit.ly/HalalTravelTrends>

ENABLING ECOSYSTEM DEVELOPMENTS

Muslim-friendly standards promise to drive growth in the industry.

Malaysia's standards on tourism are instructive for hospitality and service providers worldwide.

Malaysia's standards have been developed comprehensively, with promising adoption by local OTAs. Broader global alignment and adoption remains uncertain however, with potential challenges foreseen that mirror the lack of global alignment on halal product standards:

- Malaysia's Islamic Tourist Centre (ITC) launched a "Muslim-Friendly Hotel Recognition" initiative in July 2019. The standard offers three levels of certification: platinum, gold and silver, based on the hotel's level of compliance.⁸⁹
- Newly launched Malaysian OTA, HalalHoliday, which converts packages sold by traditional travel agencies to online offerings, demands agencies adopt the requirements of a Muslim-friendly travel standard.⁹⁰
- The Standards and Metrology Institute for Islamic Countries (SMIIC), an institution working under the OIC, has developed a draft Muslim-friendly travel standard which is expected to be released at the end of 2019.⁹¹

BROADER ETHICAL IMPACT

The potential for Muslim-friendly travel to address global SDGs has been tentatively explored.

There's a potential overlap between Muslim-friendly travel and sustainable travel practices, with a clear mapping in the 2018/19 report of the sector to 7 SDG goals, including promoting jobs and economic growth. Notable examples include Serendipity educating their customers on responsible tourism, as well as investments being made in ecotourism projects:

- Since 2018, Serendipity Tailormade has been working towards highlighting its responsible tourism agenda. The company educates customers on sustainable tourism and encourages them to implement responsible tourism practices, which include social, environmental, conservation and economic impacts. Serendipity Tailormade has pledged £5 (\$6.16) per customer to the Serendipity Foundation, which supports local projects and has raised over \$12,000 to date.
- The Sharjah Investment and Development Authority (Shurooq) is launching three new ecotourism luxury hospitality projects worth about \$35.3 million. The properties, which are planned to open towards the end of 2019, will be managed by Mysk, Shaza Hotel's luxury brand.⁹²

VISITORS ENJOYING A GREEN SCENERY VIEWED FROM THE CANOPY WALKWAY AT KL FOREST ECO-PARK, THE OLDEST PERMANENT FOREST RESERVES IN MALAYSIA SURROUNDED BY URBAN CITY DEVELOPMENT.
IMAGE CREDIT: SALLEHUDIN AHMAD / SHUTTERSTOCK.COM





2019 Signals of Opportunity



The Muslim-friendly travel industry has seen important developments throughout 2018/2019, the most significant of which are increased investor interest and deregulation of the umrah industry. The industry lags behind in operational and regulatory developments, meaning there are large untapped opportunities.



◆ TRAVEL TECH LEADING ROBUST REVENUE DEVELOPMENTS IN MUSLIM-FRIENDLY TRAVEL.

Investments in OIC-based online travel agencies as well as acquisitions will pave the way to increase confidence to invest in the sector.

◆ NATIONAL DEVELOPMENTS RELATED TO MUSLIM-FRIENDLY TRAVEL CONTINUE TO EXPAND.

A few OIC governments are seeking to strengthen their Muslim-friendly tourism offerings, including Indonesia, Malaysia, Pakistan and Saudi Arabia. Saudi Arabia's visa reforms in particular will place the country strongly as a leisure destination for Muslim travelers. Non-OIC countries such as Taiwan, Korea and Japan are expanding their focus.

◆ SOME SIGNS OF MUSLIM-FRIENDLY TRAVEL DEVELOPMENTS WITH 'ETHICAL' TRAVEL CONSIDERATIONS.

Given a strong affinity between Muslim-friendly travel and sustainable travel, both travel companies and Muslim travelers are still behind on global best practices in terms of adopting sustainable travel practices. However growth of voluntourism and social impact related experiential travel amongst young Muslim travelers is emerging.

◆ OPERATIONAL DEVELOPMENTS IN MUSLIM-FRIENDLY TRAVEL REMAIN MODEST, WITH THE ADOPTION OF TECHNOLOGY A SUBSTANTIAL OPPORTUNITY.

While efforts are being made in AI, they are behind global benchmarks.

◆ REGULATORY DEVELOPMENTS REMAIN FRAGMENTED.

While some efforts are being made to regulate the industry by both governments as well as the private sector, the impact is limited as there is no widespread adoption of the regulation.



Strategic Considerations by Stakeholder

OVERVIEW

With some exciting investment activity taking place in the Muslim-friendly travel market throughout 2018/2019, investors should consider expanding their investments to include promising companies within the Muslim-friendly travel sector. Meanwhile governments can improve their country's GDP by adding Muslim travel to their target segments, while businesses should consider developing offerings that address gaps related to Muslim travel needs.

With Muslim spend on outbound tourism projected to grow by 6.4% per annum to reach **\$274 billion** by 2024, there are substantial opportunities, with strategic imperatives by stakeholder group highlighted below.



Investors

- Explore the market opportunity and establish the investment case.
- Develop a pipeline, working with market experts.
- Identify execution and funding partners to optimize growth opportunities.a pipeline.



Government

- Identify the current and potential value of Muslim tourists.
- Develop a national coherent strategy to attract Muslim tourists.
- Develop an activation roadmap including identifying global partners.



Business

- Identify viable gaps for Muslim travelers that can be filled with advanced technologies.
- Develop an enhanced offering to address those gaps and determine whether this can be done organically or through acquisition.
- Develop a growth roadmap that serves the globally dispersed, increasingly values-oriented Muslim traveler.

Select Attractive Opportunities

Attractive solution categories	Attractive countries for investment and development
Customized digital Muslim-friendly travel solutions, including Umrah	Global (powered by technology)
Sustainable travel	Indonesia (ecotourism)
Halal beach resorts	Morocco (Halal branded resorts)



Source: Based on interviews with market participants; not exhaustive



PASSING THROUGH A SECURITY CHECK AT HSR MADINAH STATION. IMAGE CREDIT. AHMAD FAIZAL YAHYA / SHUTTERSTOCK.COM



INVESTORS

Investing in Muslim-friendly travel companies is showing signs of being an attractive investment proposition.

+

GLOBAL SCALED DIGITAL MUSLIM-FRIENDLY TRAVEL COMPANIES WILL EMERGE AS A RESULT OF INVESTMENTS.

Muslim-friendly travel is a robust proposition for investment and growth. Venture capital firms are clearly investing in digital Muslim-friendly travel propositions, in particular OTAs, paving the way for other investors.

Additionally, the deregulation of the umrah by Saudi authorities is providing more opportunities for OTAs to expand into the lucrative, high growth umrah travel market.

Notable developments

Gobi Partners has invested in GCC-based HolidayMe and Malaysia-based Tripfez. Other investments include \$1 million in seed funding raised by Modesttravel.

Analogs

Expedia acquired HomeAway in 2015 in addition to two additional home sharing start-ups in late 2018, representing a potential exit opportunity for investors in halal propositions.

Potential outcomes by 2030

The rise of a global halal OTA valued at over \$1 billion.

-

THE LACK OF MUSLIM INVESTORS IS A CONCERN AND MAY LIMIT THE SCOPE OF INNOVATION.

To date most OIC-based investors have not invested directly in Muslim-friendly travel propositions, with many promising start-ups seeking capital elsewhere, such as through crowdfunding.

Risk

The scope of innovation is limited to a few success stories, ultimately hurting Muslim travelers.

INVESTOR ROADMAP



Explore the market opportunity and establish the investment case.



Develop a pipeline, working with market experts.



Identify execution and funding partners to optimize growth opportunities.



GOVERNMENT

OIC governments can boost GDP through a dedicated focus on Muslim-friendly tourism.

+

NEW MUSLIM-FRIENDLY DESTINATIONS WILL EMERGE AMONG OIC COUNTRIES THAT ARE NOT TRADITIONALLY PERCEIVED AS TOURIST DESTINATIONS.

Prioritizing Muslim-friendly travel has the potential to raise the profile of previously unknown destinations for Muslim travelers. For example, Bosnia and Herzegovina ranks 113 out of 136 countries in the Economic Forum's Travel & Tourism competitiveness Index; however, it has become a popular destination for GCC travelers.

Bosnia's Agency for Halal Quality Certification has been certifying companies in tourism and hospitality, opening up tremendous growth opportunity and highlighting a potential roadmap for other countries to follow.

Notable developments

Uzbekistan issued a presidential decree declaring tourism as a strategic sector of the economy and stating measures to accelerate its development, with a special focus on Muslim tourists.

Analogs

The Tourism Authority of Thailand's 2020 strategy focuses on responsible tourism and revenue-generating quality tourists.

Potential outcomes by 2030

Revenue from growth of Muslim-friendly tourism in OIC countries focusing on this market will contribute an additional 1% growth in GDP.

-

NOT ENOUGH IS BEING DONE BY OIC COUNTRIES CURRENTLY, WITH MUSLIM-FRIENDLY TOURISM IN ITS EARLY STAGES.

Several OIC destinations avoid exclusively targeting Muslim travelers for concern of overlooking mainstream travelers, while non-Muslim destinations such as Thailand, Korea, and Japan are actively trying to attract Muslim travelers.

Risk

OIC countries forgo a potentially lucrative economic opportunity, which is captured by non-Muslim countries taking serious measures to attract Muslim tourists.

GOVERNMENT ROADMAP



Identify the current and potential value of Muslim tourists.



Develop a national coherent strategy to attract Muslim tourists.



Develop an activation roadmap including identifying global partners.



HAJJI ALIJA MOSQUE, POCITELJ, BOSNIA AND HERZEGOVINA



BUSINESSES

Established online travel agencies (OTAs) can develop substantial halal propositions, while entrepreneurs can address significant untapped opportunities across Muslim travel.



LEADING TRAVEL COMPANIES WILL FURTHER VALIDATE THE MUSLIM TRAVEL MARKET AND RAISE THE BAR FOR BUSINESSES.

Global leading OTAs, travel, and hospitality businesses can reap substantial rewards from addressing Muslim traveler needs in a more customized way, gaining loyal customers.

As customers become comfortable with using devices and services powered by Artificial Intelligence (AI), Virtual Reality (VR), Augmented Reality (AR), and Internet of Things (IoT), there is an opportunity for digital Muslim-friendly travel entrepreneurs to provide customized travel solutions powered by digital technologies.

Notable developments

Booking.com and Agoda (both owned by Booking Holdings) have signed MoUs with Saudi Arabia's Ministry of Hajj and Umrah to offer hotels for umrah, and soon to offer umrah visas on their platforms. Have Halal, Will Travel, an online travel guide, launched an AI powered chatbot named Sophia on their platform. The AI-powered chatbot answers people's questions across platforms. Muslim 3D is a VR app that allows users to experience a virtual hajj.

Analogs

Intrepid Travel has started catering to the vegan market by launching vegan food tours, with meat and dairy-free itineraries in Thailand, India and Italy. Utrip provides users with personalized travel options based on user data including interests and budgets.

Potential outcomes by 2030

Muslim travel focused next generation technology solutions will emerge with over a billion users.



INNOVATION GEARED TO MUSLIM TRAVELERS MAY BE LIMITED DUE TO THE LACK OF FINANCIAL SUPPORT AVAILABLE TO ENTREPRENEURS.

With the financial and technological resources available to them, global OTAs pose a threat to small halal-focused travel players, especially as large mainstream players are able to capitalize on their resources to act swiftly in face of an opportunity. This is exacerbated by a lack of incubators and accelerators currently supporting Islamic economy businesses.

Risk

Muslim travel companies remain small and fragmented and are unable to compete with global OTAs.

CORPORATE ROADMAP



Identify viable gaps for Muslim travelers that can be filled with advanced technologies.



Develop an enhanced offering to address those gaps and determine whether this can be done organically or through acquisition.



Develop a growth roadmap that serves the globally dispersed, increasingly values-oriented Muslim traveler.



Digital Economy Enabler

in member countries





MODANISA MINORITY STAKE
EST. \$15M



Modest Fashion

SUMMARY

Modest fashion is more visible than ever, whether on the street, in the media, online or on the catwalk. It is also proving to be trendy, with designs popular with Muslims and non-Muslims around the world who want to be fashionable yet modest.

Over the past year, several modest fashion shows were held for the first time in cities across the globe, from Miami to Accra, Moscow and Milan. A contemporary Muslim fashion exhibition, which showcased 53 designers, labels and retailers, was held in San Francisco.

US magazine Sports Illustrated featured its first model in a burkini and hijab, Halima Aden, and two international trade fairs, Gallery Dusseldorf and Collection Premier Moscow included Modest Fashion. Aden has become the unofficial face of modest fashion over the past year, appearing in numerous fashion shoots, launching her own line of head scarves with online Turkish retailer Modanisa, and designing a Barbie doll wearing a hijab.

Meanwhile, mainstream brands have launched modest fashion lines, such as Japan's Uniqlo, following up on the success of its 2015 hijab line, while sportswear giant Nike launched the Pro Hijab.

Given such media exposure and burgeoning sales of modest fashion, investors have taken notice. Online modest fashion retailer Modanisa sold a minority stake estimated at \$15 million to Goldman Sachs and Wamda Capital to fund expansion, while Dubai-based online retailer The Modist attracted investment from British e-commerce fashion site Farfetch and Annabel Investment Holding. New York fashion brand Haute Hijab secured \$2.3 million in financing to create the first digital-native Muslim cultural lifestyle brand across the globe.

With Muslim spend on apparel and footwear estimated to be worth \$283 billion in 2018, there is significant potential for Modest Fashion to take a much larger slice of the \$2.5 trillion global apparel market.

Such developments are strong indicators that modest fashion is moving in the right direction. However, with no modest fashion standards or guidelines, there have been mistakes, such as a US brand getting consumer backlash for using models not wearing appropriate clothing to market a line of hijabs.

Mainstream brands and retailers have also not fully realized that modest fashion does not require completely different collections to appeal to consumers: clothing can be adapted to be more modest, such as looser fits and longer coverings for arms and legs.

Hoping to better steer the sector, Think Fashion launched The Council of Modest Fashion in Indonesia with outpost councils around the world to promote inclusive fashion, sustainable practices, support designers and engender the growth of the modest fashion industry.

OIC governments are also supporting the modest fashion sector, for example in Turkey and Indonesia. The Islamic Design Fashion Council (IDFC) continues to promote the sector, such as at the Torino Fashion Week, and in the UAE hosting the Pret-A-Cover Buyers Lane, a modest fashion and design showcase event in Dubai.





A WORLD TO SHINE.
A WORLD TO STAND OUT.
YOUR WORLD TO WEAR.

modanisa
com

Modest Fashion



CONSUMER OPPORTUNITY



\$283 BILLION of spending by



1.8 BILLION Muslims on clothing (2018 est.)



4.8% year on year growth

Projected CAGR growth



6% 2018-24 to



\$402 BILLION by 2024

Muslim spend on Clothing

11%



\$21.3 of Clothing exports to OIC* countries 2018



85 key modest fashion eCommerce retailers*



GOVERNMENT OPPORTUNITY

Modest Fashion can boost GDP, develop local talent and generate jobs

MODEST FASHION - GIE INDICATOR RANKING

1 UAE	6 Italy
2 Turkey	7 Bangladesh
3 Indonesia	8 Morocco
4 Malaysia	9 India
5 Singapore	10 Sri Lanka



BUSINESS OPPORTUNITY

Major retailers and brands can generate substantial revenues by adapting collections as well as launching modest fashion lines.

2020 HOT SECTORS FOR GROWTH



Luxury modest fashion



mCommerce



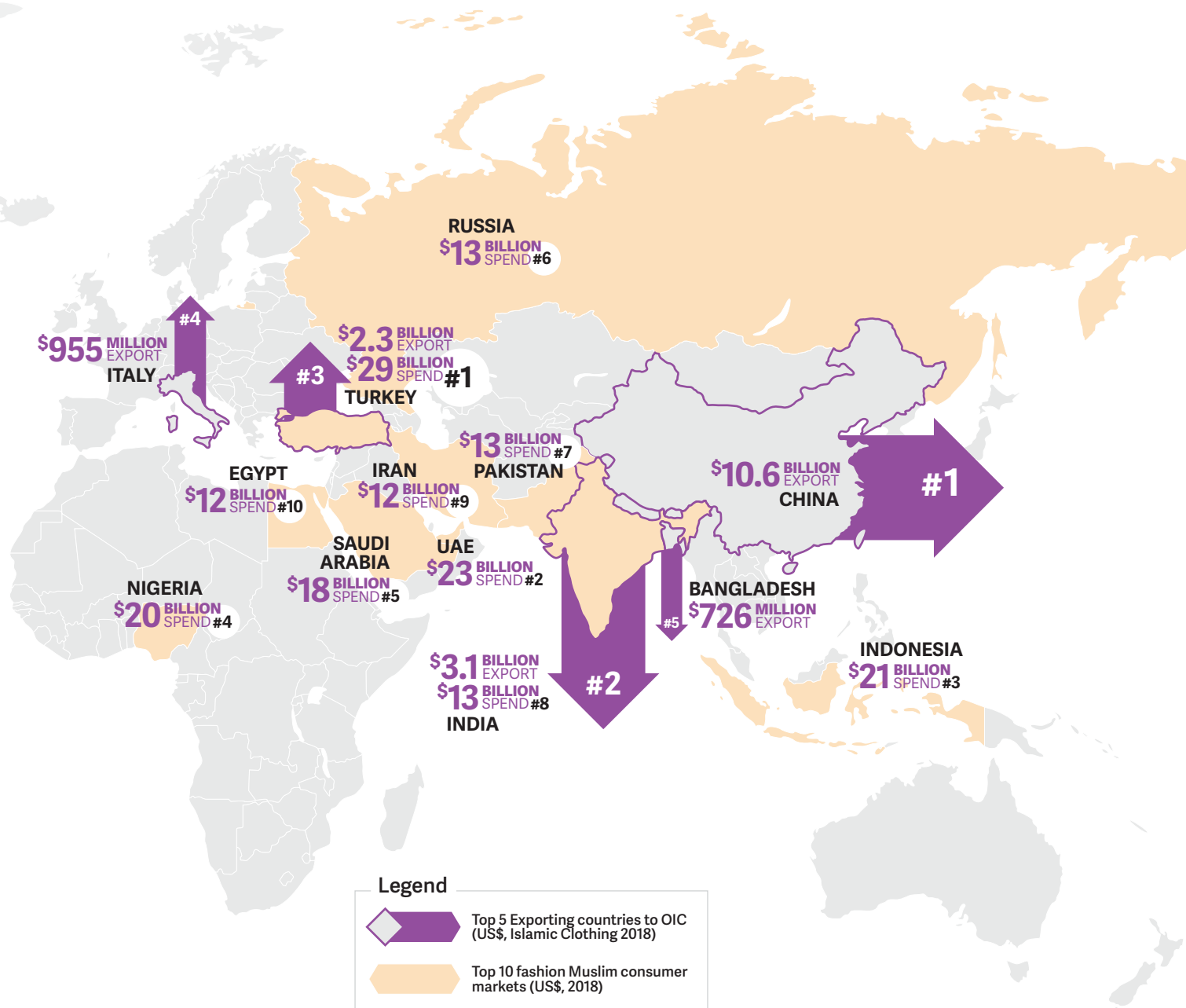
Modest active wear



Circular fashion



Men's modest clothing



INVESTOR OPPORTUNITY

Despite strong growth, IE deal value remains far below potential...investors have substantial runway

\$42 MILLION in investments in Islamic Lifestyle in 2018/19*

\$2M

HAUTE HIJAB secured investment from Cue Ball Capital (all U.S.)

\$16M

MODANISA ELEKTRONIK MAGAZACILIK VE TIC AS (Turkey) secures investment from EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT (United Kingdom), Goldman Sachs and Wamda Capital

SIGNALS

- Venture investments in Early stage, high growth e-commerce platforms
- Acquisition of emerging modest fashion brands
- 'Ethical' modest fashion demand



CONSUMER LENS ON MODEST FASHION



Ms. Iman

AGE:

29 years

INCOME:

US\$6,600



RECENTLY MOVED
TO THE USA

A young Saudi professional – lived in Dubai, UAE most of her life.

Likes spending time with family and going out with friends.

“Dubai is the best of both worlds, east meets west.”



MY VIEW



Modest fashion items are available at special boutiques which sell only modest fashion, but also at international stores like Zara and others.



I would like to see more stores selling modest fashion, but it's not that important because I can buy modest clothes from a lot of different stores as well.

MY SPENDING HABITS



I spend less than USD150 per year on modest fashion and I mostly buy it online, a couple of times per year.



But I spend more at other stores which are not necessarily focusing on women who cover. These stores offer more choice of modest clothes and allow me to create my own style while also respecting the rules of modest fashion.

MY SHOPPING HABITS



I like spending time with my friends, and we often go shopping together. We go to stores intended for hijabs as well as to other international branded stores.



We would like to see more variety in these stores. That is why online the options are better.



There is more choice and when it comes to pricing and quality, it really comes down to your own budget. However, sometimes you would like to try on the item on the spot before buying it.

I WANT TO SEE MORE OF



More stores selling fashion for hijabis, offering a wide variety which is renewed regularly.



I like to try items on the spot so I can see if it fits with other accessories, or when I am with friends. When purchasing modest clothes online that is not possible. You need to wait until your order has been delivered.



I am prepared to go the extra mile. If I know of an outlet in another city and it's worth the drive, I would drive up to 60 miles for it.



CHALLENGES

1

Limited stores, catering specifically to women who cover.

2

More brands and variety are needed.

3

For existing brands and stores: more awareness needs to be created through advertising and social media.

2018/19 Developments

REVENUE DEVELOPMENTS

Muslim spend on clothing has seen top-line consumer spend growth of 4.8%, attracting new participants and investments.

Robust market spend growth

- Global Muslim spend on modest fashion has increased by 4.8% from \$270 billion to \$283 billion in 2018 with Turkey, UAE and Indonesia the top three countries by spend.

The sector continues to innovate, but remains nascent in its development.

Modest fashion has been focused around women and more traditional apparel such as hijabs and abayas, but innovations such as sportswear are still largely untapped.

- Dubai-based Desert Cove Fashion, founded in 2016, partnered with Modanisa.⁹³
- Two of the UAE's largest retailers, Namshi and Noon, have seen increased sales of colored abayas. Only 59% of the new abayas arriving at these retailers were black in 2019, compared to 74% last year.⁹⁴
- German brand smartKhuffZ launched a men's sneaker with removable inners to fit traditional prayer socks⁹⁵
- US sports giant Nike launched a Pro Hijab line for athletes.⁹⁶
- Singapore's online retailer Zalora's in-house modest fashion label Lubna released 303 items for Ramadan.⁹⁷

Encouraging investments have been made with substantial whitespace for M&A.

2019 saw substantial investments in modest fashion retailers and brands:

- Turkish modest fashion online retailer Modanisa sold a minority stake estimated at \$15 million to Goldman Sachs and Wamda Capital to fund overseas expansion.⁹⁸
- New York fashion brand Haute Hijab secured \$2.3 million in seed financing to create the first digital-native Muslim cultural lifestyle brand across the globe.⁹⁹

- Dubai-based modest fashion online retailer The Modist attracted investment from British e-commerce fashion site Farfetch and Annabel Investment Holding, the private equity company of Nicola Bulgari, vice chairman of jeweler Bulgari Group, building on an investment of \$15 million in 2018 from Vaultier7 and the Chalhoub Group.¹⁰⁰

General awareness of modest fashion is increasing rapidly.

Celebrities are using their media presence to push sales as well as spread a message about modest fashion that is resonating with Muslim millennials:

- Following the launch of a hijab line in 2015, Japanese retailer Uniqlo re-partnered with British-Japanese designer Hana Tajima for a modest fashion collection, while US retailer Banana Republic launched a hijab collection.^{101 102}
- US model Halima Aden, the first burkini cover model of US men's magazine Sports Illustrated, launched her first collection of head scarves with online Turkish retailer Modanisa.¹⁰³
- US Olympic bronze medalist Ibtihaj Muhammad launched a new fashion line for her brand Louella at New York Fashion Week,¹⁰⁴ and two international trade fairs, Gallery Dusseldorf¹⁰⁵ and Collection Premier Moscow¹⁰⁶ included modest fashion.
- Reuters ranks US social media commentators, including young Muslim fashion bloggers, number one in the world for the volume of posts and level of influence.¹⁰⁷



Article on whether runway shows at fashion weeks are helping Indonesia's modest wear SMEs:
<http://bit.ly/FashionWeeksIndonesia>

Turkey's Modanisa sells stake to Goldman Sachs, Wamda Capital to fund overseas expansion:
<http://bit.ly/ModanisaExpansion>

Design mis-step? More than 11,000 petition for Nike to recall 'offensive shoe with Allah's name':
<http://bit.ly/NikeMis-Step>



OPERATIONAL DEVELOPMENTS

Modest fashion could be transformed by utilizing innovative crowdsourcing and inventory management techniques.

Modest fashion has yet to explore new business models, notably crowdsourcing.

- Crowdsourcing has been successfully used by fashion start-ups to raise funds to source fabrics and launch their business, such as US brands Lady Farmer raising \$51,652, and DudeRobe raising \$67,498 on Kickstarter.¹⁰⁸
- Just-in-time production is used by global retail giants like Uniqlo to amend inventory procurement according to demand, with tremendous applicability to modest fashion.¹⁰⁹

NATIONAL DEVELOPMENTS

OIC governments are starting to support modest fashion to diversify their national economies.

Dubai and Indonesia are playing a lead role in promoting modest fashion designers.

- The IFDC hosted Pret-A-Cover Buyers Lane, a modest fashion and design showcase event in Dubai, and has partnered with Torino Fashion Week to promote modest fashion brands, such as Chantique (Dubai), Alice Giani Margi (Italy), Luya Moda (UK), and Coéga Sunwear (Dubai).¹¹⁰
- Think Fashion launched The Council of Modest Fashion in Indonesia with offices across the world. The aim is to promote inclusive fashion, sustainable practices and support designers.¹¹¹
- The Indonesian government supports the Muslim Fashion Project (MOFP), which includes competitions and incubation for fashion start-ups, a road map for Muslim fashion industry development. An estimated 656 small and medium industries and 60 designers are involved.¹¹²



ENABLING ECOSYSTEM DEVELOPMENTS

Trade events, fashion shows and academies are pushing the sector in the right direction.

Entrepreneurs and trade bodies are hosting Modest Fashion Weeks and exhibitions.

Widely covered events are raising the sector's profile on the catwalk and beyond:

- Istanbul's Lifestyle Turkey Fair featured a modest fashion exhibition supported by the Ministry of Commerce, and Indonesia's Fourth Muslim Fashion Festival (Muffest) and Modest Young Designer Competition was supported by the Industry Ministry.¹¹³
- The Contemporary Muslim Fashion exhibition at the de Young Fine Arts Museums of San Francisco showcased 53 designers, labels and retailers, including modest fashion brands.¹¹⁴
- Academies and universities are nurturing modest fashion designers, such as the Rabia Z Modest Fashion Academy and Singapore's MDIS School of Fashion and Design.¹¹⁵

SOCIAL IMPACT

Modest fashion can play a powerful role in addressing ethics and sustainability in the sector.

Strong analogs but with limited activity in modest fashion, with a clear mapping in the 2018/19 report to 8 SDG goals, including promoting job creation and economic growth.

OIC-based clothing brands and modest fashion influencers are increasingly involved in promoting diversity, female empowerment, and sustainable fashion, with the following examples:

- Egyptian brand Scarabeus Sacer, launched in 2019, addresses SDGs by using organic cotton and emphasizing ethics, with T-shirt line Mind, Body & Soul highlighting mental illness.¹¹⁶
- Modest fashion brand Under-Rapt, which produces over-size and sports clothing, is promoting sustainable and ethical sourcing.¹¹⁷
- Palestinian-based brand Baby Fist sources apparel from small manufacturers in the West Bank and Gaza, donating 10% of proceeds to a Menstrual Education Campaign for Palestinian girls.¹¹⁸





2019 Signals of Opportunity

◆ Modest fashion has seen important developments in 2018/19, backed by robust consumer spend growth, with trade and national economic strategies supporting the sector while there have been notable investments, especially in e-commerce. The sector is struggling with developing ethical standards of production, however, while social impact is lagging with further development required across the enabling ecosystem.



◆ REVENUE DEVELOPMENTS IN MODEST FASHION REMAIN MODERATE.

While Muslim consumer spend has shown strong 4.8% growth, and there has been investment, the sector is dominated by designer brands and small-to-medium sized businesses, with few mass retailers offering modest fashion. There are opportunities for investors to provide seed capital or a stake in upcoming modest fashion lines to develop a multi-million-dollar revenue brand.

◆ OPERATIONAL DEVELOPMENTS IN MODEST FASHION REMAIN VERY WEAK.

Modest fashion brands have yet to reach scalability, despite some notable investments, with few brands adopting modern garment sourcing practices, such as just-in-time production, while funding remains a drawback to growth. There are substantial opportunities for global brands and investors to develop profitable modest fashion propositions.

◆ NATIONAL ECONOMIC DEVELOPMENTS ARE RAISING MODEST FASHION'S PROFILE.

OIC governments, including Turkey and Indonesia, are supporting the development of modest fashion, from education to incubators and fashion shows. Regional and global opportunities exist to cater to OIC markets, while bolstering employment away from basic garment manufacturing.

◆ REGULATORY DEVELOPMENTS REMAIN MUTED.

No modest fashion standard has been developed, although initiatives are underway to better steer the sector's functional parameters. The establishing of standards would enable the adaptation of mainstream fashion lines into modest fashion.

◆ BROADER ETHICAL LINKAGES OF MODEST FASHION TO SDGS REMAIN WEAK.

Modest fashion has yet to address its broader social role but has the potential as brands scale up in size to adopt sustainable and ethical practices that have less negative impact on society and the environment.



Strategic Considerations by Stakeholder

OVERVIEW

Modest fashion presents substantial opportunities for investors seeking untapped opportunities. Multinational companies can benefit from investing in new brands or developing modest fashion products. OIC national governments can incorporate modest fashion into wider economic strategies.

Muslim spend on clothing and apparel is projected to grow by 6% to reach **\$402 billion** by 2024 and investors, governments and businesses can address substantial opportunities across the modest fashion sector through developing robust strategies, with strategic imperative highlighted below.



Investors

- Engage modest fashion consultants for opportunities in brands and e-commerce.
- Consider mass market appeal through long-term investments in OIC markets.
- Seek out partnerships for greater commercial reach.



Government

- Establish modest fashion advisory bodies for retailers and brands seeking guidance.
- Analyze what ethical standards could be adopted for the industry.
- Issue standards on modest fashion and sustainability in coordination with stakeholders.



Business

- Conduct a feasibility study on developing modest fashion products.
- Create a team to research unique modest fashion needs.
- Seek out modest fashion partners for design and e-commerce.

Select Attractive Opportunities

Attractive solution categories	Attractive countries for investment and development
Affordable luxury modest fashion	UAE (luxury)
Sports and active wear	Turkey (retail)
Men's modest clothing	Indonesia (brands)



Source: Based on interviews with market participants; not exhaustive



ATTENDEES AT THE TURKEY'S FIRST INTERNATIONAL MODEST FASHION WEEK IN ISTANBUL IN 2016.
IMAGE CREDIT: TOLGA SEZGIN / SHUTTERSTOCK.COM



INVESTORS

By investing in modest fashion brands and online retailers, there are substantial opportunities to generate returns.

+

PRIVATE INVESTMENT WILL DRIVE INNOVATION AND ENABLE RAPID GLOBAL GROWTH OF MODEST FASHION BUSINESSES.

There are substantial opportunities for investors to provide growth capital to emerging modest fashion brands and pursue aggressive global organic growth to create billion-dollar revenue companies.

There are also multiple pockets of opportunity, such as affordable luxury, where there has been limited focus from modest fashion businesses.

Notable developments

Private equity firm Annabel Investment Holding invested in online retailer The Modist, and Haute Hijab secured \$2.3 million in seed financing.

Analogs

Private equity firm Permira made an undisclosed investment in US sustainable fashion brand Reformation.

Potential outcomes by 2030

Modest fashion e-commerce retailers generate revenues over \$1 billion.

-

MODEST FASHION AS A PROPOSITION REMAINS UNPROVEN, WITH FEW SUCCESSFUL EXITS.

Few successful exits in modest fashion companies has limited the attractiveness of the industry.

Risk

Modest fashion is limited to large companies that do not innovate to the extent required by consumers.

STRATEGIC IMPERATIVES



Work with sector specialists to identify targets.



Develop a robust value creation plan centered on geographic and product expansion.



Establish robust partnerships.



GOVERNMENT

Modest Fashion can boost GDP, develop local talent and generate jobs.

+

OIC COUNTRIES CAN GENERATE SUBSTANTIAL ECONOMIC RETURNS FROM MODEST FASHION DESIGN AND PRODUCTION.

Government support for modest fashion can help promote the sector internationally while developing homegrown talent, promoting job creation and implementing SDGs.

With several OIC countries being major garment producers, such as Turkey, Pakistan, Bangladesh and Egypt, there are opportunities to expand the value chain beyond basic manufacturing to include modest fashion design and local brands. Enabling e-commerce can also bolster domestic sales and exports.

Notable developments

Indonesia supported the Muslim Fashion Project through competitions, an incubator for fashion start-ups, and a development road map.

Analogs

The European Union funds Commercializing Creative Fashion Businesses projects, such as the British Fashion Council.

Potential outcomes by 2030

OIC countries are leading designers, manufacturers and sellers of sustainable modest fashion.

+

MODEST FASHION GUIDELINES THAT ARE BASED ON ETHICS AND SUSTAINABILITY COULD HEIGHTEN CONSUMER TRUST IN GARMENT PURCHASES.

With modest fashion lacking standards, major retailers have come under criticism for not being modest enough, while consumers are increasingly concerned about ethical standards, from working conditions to eco-friendly sourcing.

OIC governments can address SDGs by improving regulation of the garment industry to be more ethical and sustainable.

Notable developments

Think Fashion launched The Council of Modest Fashion in Indonesia.

Analogs

Revision of the Global Organic Textile Standard for ecological and social responsibility. A plastics-content label for clothing is being discussed.

Potential outcomes by 2030

Modest fashion brands are at the forefront of sustainable fashion with widely accepted standards and labels, while using technology for traceability.

-

THE CONCEPT OF MODEST FASHION VARIES ACROSS THE OIC, WITH NO POSSIBILITY FOR A UNIVERSALLY AGREED UPON STANDARD.

While certain OIC countries impose dress codes, no agency can implement a globally accepted standard for the modest fashion sector.

Risk

Modest fashion is better addressed by ethical brands, with no native brands able to succeed.

STRATEGIC IMPERATIVES



Establish modest fashion advisory bodies for retailers and brands seeking guidance.



Analyze what ethical standards could be adopted for the industry.



Issue standards on modest fashion and sustainability in coordination with stakeholders.





BUSINESSES

Major retailers and brands can generate substantial revenues by adapting collections as well as launching modest fashion lines.



CORPORATES CAN PLAY A LEADING ROLE IN MODEST FASHION PROPOSITIONS.

With major brands and retailers having a global presence, they can expand availability of modest fashion, especially in OIC countries.

Brands can release dedicated modest fashion lines, but also adapt mainstream collections, such as having looser fits and longer coverings for arms and legs. Such collections have appeal beyond OIC countries, with the modest fashion trend being adopted by non-Muslims.

Notable developments

Nike released the Pro Hijab, and Japanese retailer Uniqlo launched a modest fashion line.

Analogs

Retailer Zara uses in-store customer insights to alter collections and offerings.

Potential outcomes by 2030

Modest fashion collections and adaptations are a core part of multinational retailers' sales, generating billions of dollars in revenues by appealing to a broad range of consumers.



MANY CORPORATES DON'T FULLY REALIZE THE SCALE OF THE OPPORTUNITY.

Multinational retailers have released one-off collections or items, such as hijabs, but have not been consistent in modest fashion offerings despite the potential, considering it a religious trend rather than a style.

Risk

Modest fashion remains niche and is viewed as a passing trend.





EARLY STAGE SUPPORT MECHANISMS CAN SUPPORT BRANDS AND INNOVATION.

Entrepreneurs have the potential to address gaps in the market by developing new lines and innovations, such as in sportswear. By including ethical principles in new designs and collections, modest fashion brands can cater to a growing audience that is demanding sustainability, in line with SDGs.

Notable developments

German brand smartKhuffZ launched a men's sneaker with removable inners to fit traditional prayer socks.

Analogs

New Egyptian brand Scarabeus Sacer addresses SDGs by using organic cotton and emphasizing ethics.

Potential outcomes by 2030

An innovative and trend-setting modest fashion sector covers multiple segments, from daily clothing to sports- and footwear, while also being sustainable and ethical, generating billions of dollars in sales.



THERE IS A LACK OF INNOVATION AND SUPPORT FOR MODEST FASHION ENTREPRENEURS.

Beyond private investment and crowdfunding, there is limited dedicated support from governments and investors in developing modest fashion.

Risk

Modest fashion designers and brands fail to expand and reach scalability.

BUSINESS ROADMAP



Conduct a feasibility study on developing modest fashion products.



Create a team to research unique modest fashion needs.



Seek out modest fashion partners for design and e-commerce.



SPONSORED CONTENT

The transformative power of modest fashion



By **Havva Kahraman**
Modanisa Brand
Coordinator

How we look matters: it shapes how others perceive us and influences how we think about ourselves.

Ten years ago, when the idea of Modanisa was being conceived, wearing a hijab and being fashionable was unthinkable, and finding positive images of visibly Muslim women in Western media virtually impossible. An entrepreneur claiming that modest dressing would become a new multi-billion-dollar sector would probably have lost all credibility.

In 2019, the profile of trendy-looking Muslim women has never been higher, underlining the paradigm shift among these conscious females who not only demand representation, but also ownership of the narrative about themselves.

In January, we witnessed Ilhan Omar and Rashida Tlaib elected to Congress. Over the summer, young jockey Khadijah Mellah raced to victory in a hijab in the Magnolia Cup. In the fashion capitals, a stream of modest-dressing models followed in Halima Aden's footsteps, gracing catwalks and front covers. Although their personal journeys differ, their triumphs are simultaneously shattering stereotypes.

There are seismic social changes across the Middle East too: from more freedoms for women in Saudi Arabia, to state support for Emirati female



entrepreneurs. It's led to a surge in confident women redefining their place in society as employers, taxpayers, and trailblazers. They are informed and outspoken consumers, all living their lives in accordance with their values and choices.

Running in tandem is the rise of modest fashion. In under a decade, modesty has mushroomed into an industry worth \$283 billion. Global hubs in Istanbul, Dubai and Jakarta are generating significant revenues, while stimulating social innovation.

The story of Modanisa.com mirrors this incredible socio-economic transformation. When we launched our pioneering business in 2011, a 55-year-old mother and her 25-year-old daughter were forced to dress almost identically due to the limited options for observant Muslims. Even with an estimated 400 million market, clothing brands ignored them.

Older women had quietly accepted this state of affairs, but not so today's Generation M, who have no intention of being hemmed in by society's expectations. While there are tension points to navigate, today's interconnected Muslim views her faith as a badge of honour not a barrier. She wants to participate fully in modern life and experience new adventures, enjoy a fulfilling career, do sports and take holidays by the sea. She wants more versatility in her wardrobe, reflecting her increased confidence and levels of socialising.

As a business, we had a twin mandate: to fill a major clothing gap and to empower these consumers to express their identities, values and personal tastes in style. Our approach is to truly understand the customer, and address her evolving needs. For example, many of our customers are entering the workforce for the first time, and require apparel options that allow them to operate comfortably and confidently in a professional environment, while upholding modest standards. Unlike other fashion retailers who add modest options as a part of their range, Modanisa is modest from the original intent of our garment design and selection.

Although headquartered in textile-rich Turkey, we initially struggled to convince manufacturers of the huge economic potential. It forced us to create our own ecosystem, establishing private labels and working closely with a small pool of female designers and factories. Within five years, our cottage industry had gone global.





Today Modanisa.com serves customers in 135 countries who can choose from 75,000 items, including shirts, headscarves, burkinis, and wedding dresses, in a host of colours, fabrics and sizes. They are produced by 850 designers and suppliers, 90 percent female-owned small and medium-sized businesses that benefit from Modanisa's international channels to market.

Like Modanisa's workforce, most of the thousands of staff in our supply chain are women, helping to increase the number of financially independent females in Turkey. Our brand ambassadors have seen a rise in their personal fortunes too: leading fashion influencers earn six figure salaries, often making them the main breadwinner.

When it comes to the representation of women in management, I'm proud to say Modanisa bucks not only Turkish norms, but also those in the West. Sixty percent of our C-suite directors, and 80 percent of department heads are women, compared to mainstream fashion where, according to a 2017 Business of Fashion report, fewer than 50 percent of leading womenswear brands are designed by women, and only 14 percent have a female in charge.

Boosting the take-up of technology among the financially less-abled has been central to our success too. In our formative years, we helped Turkish consumers embrace the e-commerce revolution by offering 'cash on delivery' and 'free delivery' to encourage them to at least order online. With the popularity of smart phones and a younger, more tech-savvy customer base, online traffic to Modanisa has grown exponentially; in 2019, we had 200 million unique visitors to the site.

As an internet start-up, our global outlook meant our business evolved faster than many 'bricks and mortar' firms. We communicate in five different languages – Turkish, Arabic, English, French and German. We focus heavily on social media, giving us instant reach to consumers worldwide, while allowing us to identify what they want, where and

how. It's a major reason why, for the past three years, Modanisa has been Turkey's e-commerce export champion, our success serving as a template for others.

Of course, the boom in modest fashion also creates challenges. The world's major clothing brands and retailers are all taking a closer look at this 'Muslim' phenomenon. Currently, we are tapping into 10 percent of the total modest market, a figure likely to expand to 50% in the next few years. Not surprisingly, the mainstream is eager to carve out a huge slice of this lucrative pie.

For the likes of Modanisa, embedded in the halal economy, we have the advantage of knowing our diverse Muslim consumers, their needs and sensitivities. For example, traditional dress codes determine purchasing decisions in Turkey and Malaysia, compared to urban styles sought by modest dressers in Europe and North America. But there is no room for complacency.

We need to double-down to ensure our ecosystems are robust enough to withstand the entry of bigger players. From design to delivery, marketing and after-sales we must match those of the mainstream to compete effectively, and continue to provide customers with appealing, affordable ready-to-wear apparel.

We must also be prepared to meet new consumer expectations in ethical and sustainable fashion. The Islamic world can again play a positive role, combining Koranic codes about waste with modern business practices to be kinder to the environment.

Modest fashion's impact on the lives of Muslim women cannot be doubted. As the sector matures, its transformative powers will continue to shape society for the better.



MARKET LEADER://
MALAYSIA





Halal Pharmaceuticals

SUMMARY

Islamic polymaths and medical practitioners of the 10th and 11th centuries such as Ibn Sina, al-Razi and al-Biruni played a crucial role in the evolution of medicine, science and healthcare. That heritage has continued to the present, with traditional medicine in parts of Southeast Asia still called *yunani*, the Arabic for Greek, reflecting the historical exchange of medical knowledge between the East and the West.

Today, halal medicine is far removed from its heyday. OIC countries are net importers of pharmaceuticals and there is minimal research and development (R&D) of new medicines and treatments, while halal certified pharmaceuticals production is limited.

Even the concept of halal pharmaceuticals is poorly understood in OIC countries, not having gained the same traction as other Islamic economy sectors, such as halal food and modest fashion. In part this is due to the heightened visibility of modest fashion in the media and on the street, and the halal label on food being increasingly widespread.

Nonetheless, awareness among Muslims about the importance of halal pharmaceuticals is on the rise, that not only the food put into one's body should be halal (permissible), but the medicine as well. This has developed alongside a broader global healthcare trend towards personal choice: patients should be well-informed, and able to choose treatments in line with their beliefs and ethics.

Muslim spend on pharmaceuticals was US\$92 billion in 2018 and is projected to grow to \$134 billion by 2024.

Indeed, it is the lack of a halal alternative that has driven the anti-inoculation phenomenon in many OIC countries, with parents concerned that vaccines contain porcine gelatin. This has prompted the OIC to form a special working group to create halal vaccines and medicines. The development of halal pharmaceuticals therefore serves a broader social impact, especially as rates of communicable diseases are higher in OIC countries than in non-OIC developing countries.

Yet while there is a pressing need for more pharmaceuticals to be halal certified, investors have not yet realized the scale of the opportunity, especially the returns on investment in the medium to long-term, as demand ramps up.

Farsighted pharmaceutical companies have however seen the potential, such as South Korean firms seeking halal certification to bolster their exports and expand into new markets like Indonesia, with the country to phase in mandatory halal pharmaceutical certification by 2024.

Malaysia, a leader in the halal pharmaceutical sector, has also realized the potential, recently revising its standards on halal pharmaceuticals as well as issuing halal standards for medical devices.

As halal pharmaceutical standards become more accepted globally, in addition to OIC countries backing the development of their pharmaceutical sectors, the sector is poised for incredible growth.

Halal Pharmaceuticals



CONSUMER OPPORTUNITY



\$92 BILLION of spending by



1.8 BILLION Muslims on pharmaceuticals (2018 est.)



5.7% year on year growth

Projected CAGR growth



6.5% 2018-24 to



\$134 BILLION by 2024

Muslim Spend on Pharmaceuticals

7%



UNITED STATES \$3.5 BILLION EXPORT \$7 BILLION SPEND #3

#3



\$210 of Pharmaceuticals exports to OIC* countries 2018

SECTOR BREAKDOWN



58%

Medicaments



32%

Organic materials



11%

Other pharmaceutical preparations



GOVERNMENT OPPORTUNITY

OIC can experience **1% boost in GDP** through the Halal products trade

HALAL PHARMACEUTICALS - GIE INDICATOR RANKING

1 UAE

2 Malaysia

3 Jordan

4 Singapore

5 Egypt

6 Iran

7 Bahrain

8 Brunei

9 Turkey

10 Azerbaijan



BUSINESS OPPORTUNITY

Multinational companies can generate substantial growth by **creating dedicated halal propositions.**

2020 HOT SECTORS FOR GROWTH



Halal gelatin



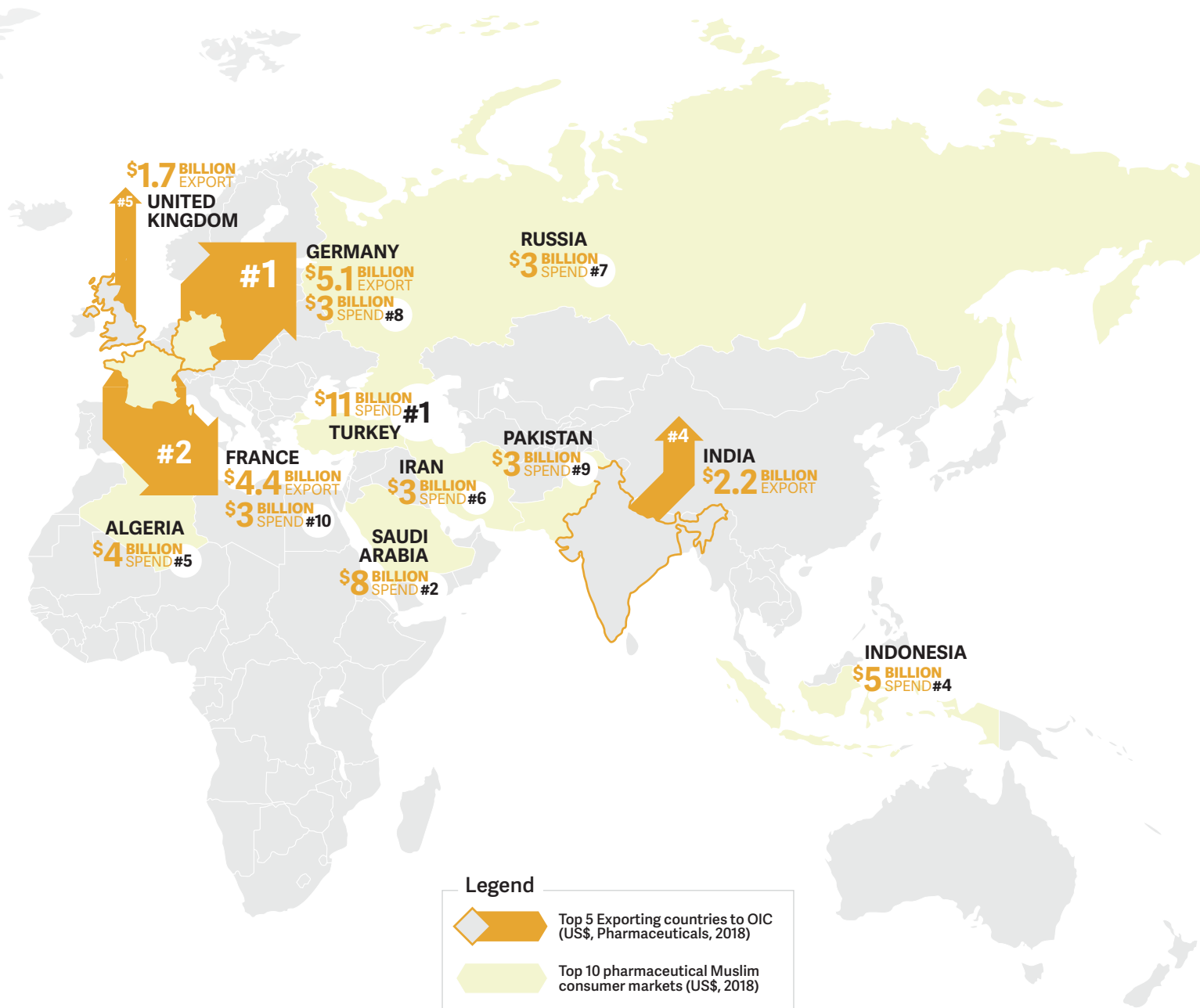
Halal Nutraceuticals



Halal vaccines



Holistic halal-based homeopathy



INVESTOR OPPORTUNITY

Despite strong growth, IE deal value remains far below potential and investors have substantial runway

\$653  **MILLION** in investments in Halal Products in 2018/19*

\$3M

IBA HALAL secures investment from Advantis enterprises (both parties based in India)

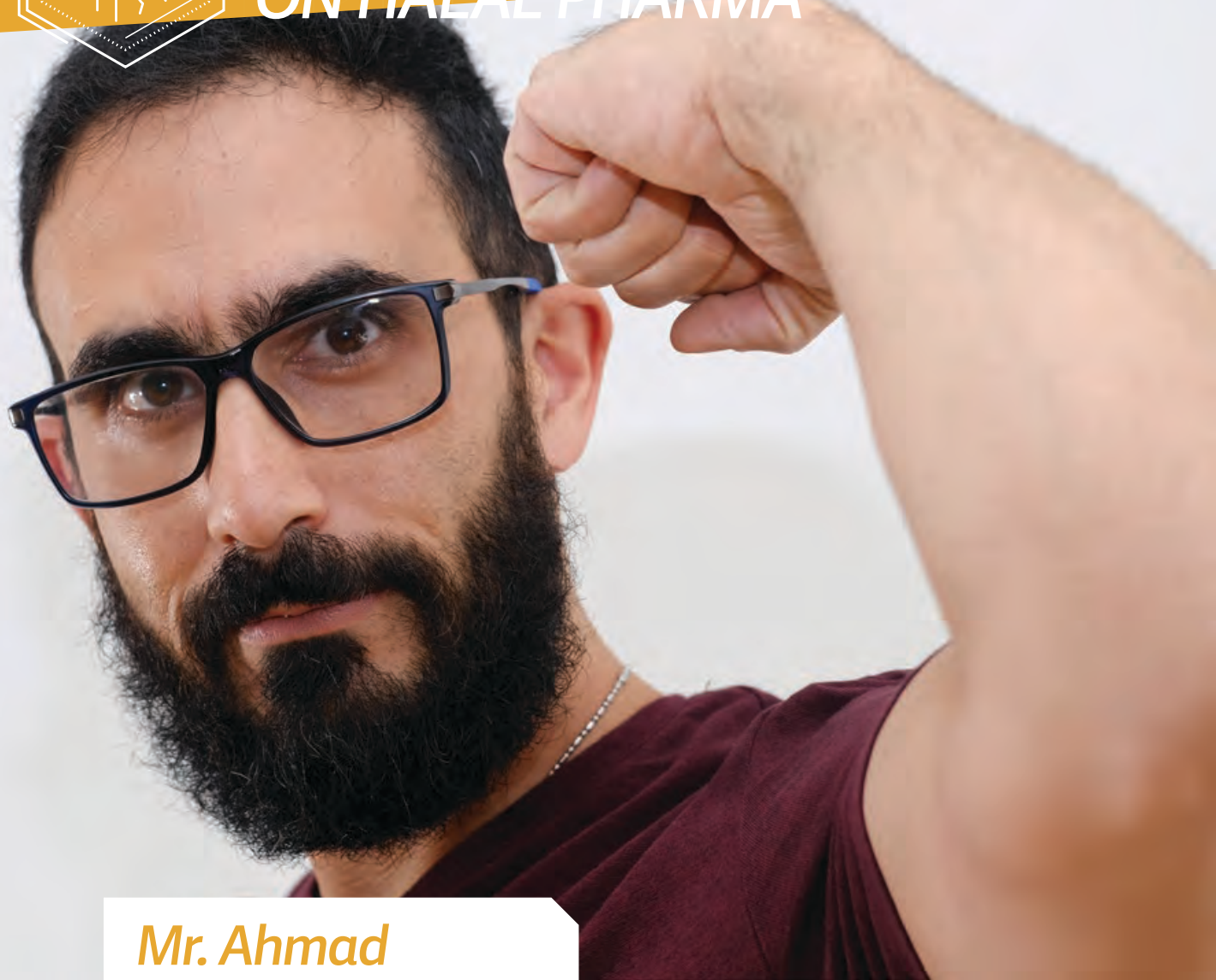
SIGNALS

-  Investment in Halal ingredients companies seeking to supply pharma
-  Carve-outs of Halal suppliers to pharma companies
-  Investment in organic Halal suppliers

countries. Halal and related products exports based on ITC Trademap 2018 data; Investments (figures and individual deals) are based on a detailed scan of the Zephyr database between 2018 and 2019; Enablers data, if shown, is based on Sovereign Wealth Institute (SWF Assets); the 2019 Bain Private Equity Report (Dry Powder), and Bloomberg News (2016)



CONSUMER LENS ON HALAL PHARMA



Mr. Ahmad

AGE:

46 years

INCOME:

US\$4,100



RABAT,
MOROCCO

Software engineer and director.

Family man, and a father of 2 boys.

Loves to visit the family over the weekend, which allows them to escape the fast life in the capital.



MY VIEW



I consider halal pharmaceutical products to be drugs and medicines derived from permissible sources according to Islamic rules, for example, products that are not derived from pork and alcohol.



Moreover, the products should also have a halal certificate.

MY SPENDING HABITS



Currently, there are no halal pharmaceutical products in Morocco. The outlets which sell pharma products do not offer specific brands that are positioned in the Moroccan market as halal pharma products.



Although there would be a demand for it in Morocco.

MY SHOPPING HABITS



I find it important to consume products which are in line with sharia rules.



If I need specific halal pharma products, I need to travel abroad. So, the money I spend on halal pharma is actually outside of Morocco. I cannot buy halal pharma products online because the regulation on such products is very strict.



I believe there are more halal pharma products in non-Muslim countries than in Morocco.

I WANT TO SEE MORE OF



A strong introduction of halal pharmaceutical products in Morocco, including all medicines for adults and kids.



Also, it would be great if we can buy the products online, but then regulation should be made easier. I would definitely buy halal pharma products if they were available through our pharmacies. Companies will have to create awareness.



CHALLENGES

1

There are no companies offering specifically branded halal pharma products.

2

Regulations to buy the products online are strict.

3

Availability only outside of Morocco, mostly in non-Muslim countries.

2018/19 Developments

REVENUE DEVELOPMENTS

The halal pharmaceutical industry has seen top-line consumer spend growth of 5.7%, attracting new participants but limited investments.

Robust market spend growth

- Muslim spend on pharmaceuticals globally has increased by 5.7% in 2018 from \$87 billion to \$92 billion, with Turkey, Saudi Arabia and the U.S. representing the top three countries by spend.

More pharmaceutical companies are getting halal certified, with promising new products.

Large companies in Southeast Asia are getting halal certification, validating the opportunity, with new products and concepts being developed:

- South Korean companies have been particularly active. Chong Kun Dang established a halal facility producing anticancer drugs at its Indonesian joint venture, while Daewoong Pharmaceutical is seeking halal certification for its biopharmaceutical plant. Jilgyungyi, a halal certified feminine cleanser producer, expects a big sales increase in 2019 to 40 billion won (\$33.9 million), from 10 billion won (\$8.5 million) in 2018.
- Malaysia's DuoPharma Biotech Berhad generated \$125 million in revenues in 2018, with 70%, or \$82 million of sales halal pharmaceuticals.¹¹⁹
- Halalopathic treatment combines healthcare, halal pharmaceuticals and halal food to develop a holistic approach to treatment for Muslim patients. Halalopathic hospitals and clinics could be established.¹²⁰

Limited halal activity among promising broader industry investment.

Investments in halal pharma have been limited, with limited M&A activity, despite strong activity in the broader pharmaceutical sector and encouraging OIC production initiatives:

- The first pharmaceutical manufacturing facility in Dubai was established, producing generic drugs at a \$34 million plant in Dubai Science Park.¹²¹ Egypt's Holding Company for Pharmaceuticals is to open a plant in Chad, following investments in Ethiopia and Sudan to produce affordable drugs,¹²² while a pharmaceutical research center, Mounir Armanious Research Center (MARC), is to be established in Egypt to develop drugs.¹²³
- Investment activity overall has been strong with venture investments exceeding \$26 billion in healthcare start-ups in 2018,¹²⁴ and notable strategic acquisitions, such as Canada's Aurora Cannabis acquiring Mexico's pharmaceutical company Farmacias Magistrales.¹²⁵
- The halal pharmaceutical sector is still determining how to position itself among consumers. For example, Saudi Arabia's AJ Pharma, which developed non-animal derived vaccines, has not sought certification to appeal to a broader range of consumers due to certification issues and requests from donors.¹²⁶

OPERATIONAL DEVELOPMENTS

Limited developments in halal pharmaceuticals, but traceability solutions could drive technological adoption.

Halal traceability is largely untapped.

The broader pharmaceutical industry is starting to adopt traceability solutions via blockchain, with potential applicability to halal:

- The US-based MediLedger Project is developing an open and decentralized network for the pharmaceutical supply chain¹²⁷ and US retail giant Walmart and IBM are collaborating on a blockchain concept to identify and track prescription drugs¹²⁸, both instructive for halal pharma.





NATIONAL DEVELOPMENTS

OIC governments are investing in pharmaceutical and vaccine development, but halal pharmaceuticals require more dedicated support to realize the potential.

Certain OIC countries are focusing on the pharmaceutical sector to reduce import dependency, but the biggest focus has been on halal food.

The OIC is pushing for the development of halal certified vaccines to counter the anti-inoculation phenomena, albeit with challenges stoked by geopolitical tensions:

- Indonesia's state-owned PT Bio Farma plans to develop a halal measles-rubella (MR) vaccine following mass anti-inoculations over concerns vaccines were derived from porcine.¹²⁹ The Malaysian government has also indicated it wants to establish a halal vaccine facility.¹³⁰
- The OIC is to form a special working group to create halal vaccines and medicines,¹³¹ an effort that is still underway.
- Saudi Arabia seeks to establish the world's largest center for halal products, with R&D and support from the kingdom's Food and Drugs Authority, while Vision 2030 is encouraging the development of private-public partnerships to develop the pharmaceutical industry.¹³²
- Iran has been an OIC forerunner in pharmaceutical development and manufacturing, with over 100 large companies, and sourcing half of raw materials domestically.¹³³ However, renewed US sanctions are expected to impact trade.¹³⁴ Iran imported nearly \$1 billion of pharmaceutical products from Europe in 2018.¹³⁵





ENABLING ECOSYSTEM DEVELOPMENTS

There is limited support for the halal pharmaceutical sector, but certain initiatives are underway.

Across the OIC, halal regulations are being developed for pharma.

Malaysia is leading the way through revising and issuing guidance on halal pharmaceuticals and healthcare, with potentially global impact for the sector if Malaysian standards are widely adopted. Indonesia's decision to phase in mandatory halal certification over the next few years will further drive the sector forward.

- Malaysia has revised its MS2424 (2012) guidance on halal vaccines and issued halal standards for medical devices.¹³⁶
- Indonesia's \$5.5 billion pharmaceutical market is to become fully halal certified.¹³⁷ Around 90 percent of raw materials are currently imported,¹³⁸ which will need to be halal certified by 2024 following Halal Law no. 33/2014 for Cosmetics or Food Supplement Manufacturers.¹³⁹
- Saudi Arabia revised medical device customs rules to implement a new pathway for medical devices and faster registration, with the potential to establish leading halal regulations. Devices need to comply with the Global Harmonization Task Force (GHTF).¹⁴⁰

There is substantial scope to enhance the ecosystem for halal pharma in OIC countries.

- Malaysia's Halal International Selangor has developed a halal training and education center, including halal technical compliance.¹⁴¹

SOCIAL IMPACT

Halal pharmaceuticals have substantial opportunities to realize their full ethical role.

Strong analogs, but with a limited role played by halal pharmaceutical companies relative to their potential, with a clear mapping of the sector in the 2018/19 report to 8 SDG goals, including eradicating poverty and hunger.

Improving health, access to healthcare and eliminating disease are key parts of the UN's SDGs. While few halal pharmaceutical companies have committed to the Goals, especially in OIC countries, multinational companies are starting to address the SDGs:

- As part of its commitment to Sustainable Development Goal 3, pharmaceutical company GSK is donating 600 million albendazole treatments to the World Health Organization (WHO) each year to eliminate lymphatic filariasis (LF).¹⁴²
- Pharmaceutical company Johnson & Johnson is complementing the SDG 2020 Commitment with its Health for Humanity 2020 Goals, focusing on sustainability, including a commitment for plastic packaging to be 100% reusable, recyclable or compostable by 2025.¹⁴³
- The Pfizer Foundation Global Health Innovation Grants (GHIG) awards \$100,000 in grants to 20 social entrepreneurs in 12 countries each year to improve access to healthcare.¹⁴⁴



2019 Signals of Opportunity

◆ Companies seeking certification have dominated halal pharmaceutical developments in 2018/19, but there have been few halal entrants, especially in OIC countries. Investments remain weak, operational developments limited, and the industry's broader social impact largely muted.



◆ REVENUE DEVELOPMENTS IN HALAL PHARMACEUTICALS HAVE BEEN WEAK.

While consumer spend has shown impressive 5.7% growth, the halal pharmaceutical sector lacks investment and government support. There is significant potential for investment in halal certified pharmaceuticals, vaccines and medical devices to meet burgeoning demand, especially in OIC countries.

◆ OPERATIONAL DEVELOPMENTS IN HALAL PHARMACEUTICALS REMAIN WEAK AND BEHIND GLOBAL BENCHMARKS.

Blockchain is expected to transform the broader pharmaceutical industry by enhancing traceability, but there has been limited activity in halal pharmaceuticals. The sector is ripe for investment to scale up operations in OIC countries.

◆ NATIONAL ECONOMIC DEVELOPMENTS HAVE NOT PLACED THE SAME EMPHASIS ON HALAL PHARMACEUTICALS AS OTHER SECTORS.

Certain OIC countries are focusing on pharmaceuticals and vaccine development to reduce import dependency. There are substantial opportunities to invest in halal vaccines and certify generic drugs, especially in OIC countries.

◆ REGULATORY DEVELOPMENTS REMAIN MODEST.

Halal regulation remains fragmented, with OIC importing countries differing on regulations. Greater alignment on standards can heighten sectoral development and growth.

◆ BROADER ETHICAL LINKAGES OF HALAL PHARMACEUTICALS TO SDGS REMAINS WEAK.

Halal pharmaceuticals have yet to fulfill a broader social role, with halal pharmaceutical companies well positioned to address healthcare and environmental needs, especially in OIC countries.



Strategic Considerations by Stakeholder

OVERVIEW

The halal pharmaceutical sector is poised for major growth as awareness of halal certified medicines and vaccines increases around the world, representing strong returns on investment. OIC national governments can link halal pharmaceuticals to their national growth and healthcare objectives.

Muslim spend on pharmaceuticals is projected to grow by 6.5% per annum growth to reach **\$134 billion** by 2024, representing substantial opportunities for stakeholders, with strategic imperative highlighted below, together with attractive opportunities.



Investors

- Engage halal thought leaders on the market opportunity.
- Consider extending your existing investment thesis to cover halal.
- Work with specialists to develop a pipeline.



Government

- Examine what healthcare related sectors need support and halal certification.
- Develop a national strategy centered on halal.
- Push for standardization of standards, working closely with stakeholders.



Business

- Consider which segments need to be catered to.
- Engage a wide range of investors from VC to strategic.
- Work with advisors to develop a growth roadmap.

Select Attractive Opportunities

Attractive solution categories	Attractive countries for investment and development
Halal gelatin	UAE (production)
Halal vaccines	U.S. (product development and diversification)
Holistic halal-based homeopathy	Indonesia (production)



Source: Based on interviews with market participants; not exhaustive



INVESTORS

By investing in halal pharmaceutical companies, there are substantial opportunities to generate returns as halal certification is increasingly recognized and required.



PRIVATE INVESTMENTS WILL PLAY A PIVOTAL ROLE IN CREATING MORE HALAL CERTIFIED PHARMACEUTICALS AND MEDICAL DEVICES.

Private investments will play an increasingly important role in providing capital for dedicated halal ingredients and production lines, as well as halal medical devices like drips, eye drops and saline water.

There is significant potential to halal certify biosimilars, less costly imitations of innovator drugs, and generic pharmaceuticals once patent restrictions end, particularly for Muslim-majority markets. This will require halal-certified ingredients and gelatin. Private equity firms can tap into substantial growth by investing in high potential companies that address OIC consumer needs and cater to government procurements for the healthcare sector.

Notable developments

Saudi Arabia's Aljomaih Group invested \$80 million to establish AJ Pharma, Malaysia's first animal-component free vaccine manufacturing facility.

Analogs

US-based Frontier Medicines, a new pre-clinical stage biopharmaceutical company that develops novel drugs for debilitating diseases, raised \$67 million in financing.

Potential outcomes by 2030

Majority of pharmaceuticals and medical devices in OIC countries are halal certified.



LOW MARKET PENETRATION IS HINDERING INVESTMENT IN HALAL PHARMACEUTICALS.

Halal pharmaceuticals remain niche, with sales in Malaysia estimated at less than 2% of the market despite more availability than in other OIC countries.

Consumer awareness is still low, resulting in low demand, limiting investor interest.

Risk

Without strong sales statistics, halal pharmaceutical investments will be restricted to more committed investors.

STRATEGIC IMPERATIVES



Develop a data-driven investment thesis.



Work with specialists to identify select opportunities.



Create a roadmap to develop a scaled company.



GOVERNMENT

OIC-based pharmaceuticals production can reduce imports and lower healthcare costs.



AT A NATIONAL LEVEL, OIC COUNTRIES CAN GENERATE SUBSTANTIAL ECONOMIC RETURNS FROM HALAL PHARMACEUTICALS PRODUCTION AND EXPORT.

Halal pharmaceuticals development and production can lessen import dependency, while creating jobs and providing drugs at more affordable prices to consumers and governments alike.

National strategies for the halal ecosystem have largely avoided pharmaceuticals, but there are opportunities, and important development roles for sovereign wealth funds at home and abroad in OIC countries.

Notable developments

Saudi Arabia to establish world's largest center for halal products, with R&D and support from the kingdom's Food and Drugs Authority.

Analogs

The Indian state of Haryana developed a pharmaceutical policy to attract \$290 million in investment and create 25,000 jobs.

Potential outcomes by 2030

More pharmaceuticals are produced within OIC countries, and the majority is halal certified.



WEAK HEALTHCARE SYSTEMS CONTINUE TO EXPOSE OIC COUNTRIES TO DISEASE AND HEALTH CRISES.

Communicable diseases are higher in OIC countries than in non-OIC developing countries, while most OIC countries are net importers of pharmaceuticals, with only seven member countries manufacturing vaccines.

Risk

The OIC region as a whole remains highly dependent on pharmaceutical imports and is more susceptible to supply shortages.



HALAL CERTIFICATION COULD HEIGHTEN TRUST IN PHARMACEUTICALS AND ANIMAL-COMPONENT FREE VACCINES.

Halal pharmaceuticals require an enabling ecosystem to not only be accepted as halal, but also to be compliant with strict regulations on drug safety and testing, as well as logistics and storage.

Additionally, animal-component free vaccines may help counter the anti-inoculation phenomena, which includes OIC countries.

Notable developments

Malaysia has revised its halal pharmaceutical requirements.

Analogs

The US Food and Drug Administration is to tighten drug safety regulations.

Potential outcomes by 2030

With a universally accepted halal standard, OIC countries are able to produce and export pharmaceuticals at low cost.



HALAL PHARMACEUTICALS REGULATION IS FRAGMENTED ACROSS THE OIC.

Alignment on halal standards remains lacking globally, limiting the potential for joint ventures and export opportunities.

Risk

Substantial differences on national halal pharmaceutical standards and regulations, limiting global alignment and export potential.

GOVERNMENT ROADMAP



Examine what healthcare related sectors need support and halal certification.



Develop a national strategy centered on halal.



Push for standardization of standards, working closely with stakeholders.



BUSINESSES

Multinational pharmaceutical companies can generate substantial growth by creating dedicated halal propositions.



CORPORATES CAN PLAY A LEADING ROLE IN DEVELOPING HALAL PROPOSITIONS.

With multinational pharmaceuticals being the leaders in research and development of new drugs and treatments, there would be added value through halal certification for the world's 1.8 billion Muslims, which multinationals have yet to specifically target.

Indonesia's drive to have all pharmaceuticals halal certified by 2024 could be a major game-changer, especially in Southeast Asia.

Notable developments

South Korean pharmaceutical companies and medical suppliers are getting halal certification, such as Daewoong Pharmaceutical through a joint venture in Indonesia, and Jilgyungyi, a feminine cleanser producer.

Analogs

Johnson & Johnson invests \$250-\$300 million a year in start-ups and private equity investments.

Potential outcomes by 2030

Distinct halal entities, either partly or fully owned by leading multinationals, will be publicly listed and generate billions in revenue.



MANY CORPORATES DON'T FULLY REALIZE THE SCALE OF THE OPPORTUNITY.

Multinationals have remained largely unwilling to halal certify pharmaceuticals, due to the additional costs of dedicated halal production lines and changing the sourcing of ingredients.

Risk

Halal remains weak and underdeveloped, with few new drugs halal certified.



EARLY STAGE SUPPORT MECHANISMS CAN CREATE BROADLY ACCEPTED AND SCALABLE HALAL PHARMA.

While halal pharmaceutical manufacturing is on the rise, there are significant gaps that need to be addressed in the value chain, from halal certified raw materials and logistics, to suppliers and retailers, consultants and laboratories.

Incubators for start-ups, backed by corporate investors, could push such developments.

Notable developments

The Port of Rotterdam is planning warehousing for halal products, including pharmaceuticals.

Analogs

Oman's ASAYD, a logistics groups, launched an incubator for logistics start-ups.

Potential outcomes by 2030

Major halal pharmaceutical and associated services companies emerge that are broadly trusted and cater to the world's Muslim and non-Muslim populations.



THERE IS A LACK OF DEDICATED SUPPORT FOR HALAL PHARMACEUTICAL ENTREPRENEURS.

There remains very limited dedicated support from investors in halal pharmaceutical-related start-ups and incubators, although Saudi Arabia's plan to establish a center for halal products with R&D and support could create a highly supportive ecosystem for the sector.

Risk

Halal pharmaceutical entrepreneurs struggle to expand and reach scalability without a dedicated halal ecosystem.

BUSINESSES ROADMAP



Consider which segments need to be catered to.



Engage a wide range of investors from venture capital to strategic.



Work with advisors to develop a growth roadmap.





DUOPHARMA



Duopharma Biotech Berhad (formerly known as CCM Duopharma Biotech Berhad) is one of Malaysia's leading pharmaceutical companies listed on the Main Market of Bursa Malaysia Berhad. Our core competencies in the pharmaceutical industry inclusive of Manufacturing, Research & Development and Commercialisation & Marketing over 300 generic drugs as well as Consumer Healthcare products well-recognised and accepted by consumers in Malaysia, regionally and globally.

We are the leader in halal pharmaceutical manufacturing. We are committed to producing high-quality halal pharmaceutical products for the society while adding value for our stakeholders. Halal pharmaceutical is about safe, efficacious, high quality and hygienic products for all.

PROVITON
Daily Multivitamin

Flavettes
Vitamin C

Naturalle

CHAMPS





OPPORTUNITY://
OIC.GOVERNMENTS



Halal Cosmetics

SUMMARY

Cleanliness in body and spirit are essential parts of the Muslim faith. Such requirements led to the launch of lipsticks made with halal gelatin instead of porcine gelatin, and whole ranges of halal certified beauty and body products. Yet while manufacturing halal cosmetics has become more straightforward over the past several years as halal certified ingredients have become more widely available, breaking into the multi-billion-dollar cosmetics market has not been easy.

Halal cosmetics start-ups have had to compete for shelf space with more established and multinational brands, which might also have halal certification. New brands have also had to reflect the latest cosmetics trends – from colors to scent, to design and packaging – as well as prove their efficacy to gain customer loyalty.

With the recent surge in demand for natural, organic and vegan cosmetics, halal brands are facing further challenges to retain and expand market share. As a result, halal brands are getting other certification labels to help sell their products, and vice versa, organic, natural and vegan brands are getting halal certification to have wider market appeal. Indicative of this is that exports of South Korean plant-based cosmetics to the OIC countries nearly doubled in 2018, while a dozen South Korean cosmetics manufacturers have sought halal certification over the past year to export their own brands as well as manufacture for Malaysian brands.

With traceability of ingredients increasingly important for consumers, halal cosmetics brands are trying to stand out in an increasingly crowded marketplace by emphasizing the halal nature of the product. Malaysian halal cosmetics brand Miss Elwani has done just that by joining a global halal blockchain registry integrated with the Verify Halal app.

Muslim spend on cosmetics is estimated at \$64 billion in 2018 and forecast to reach \$95 billion by 2024.

Technology is aiding halal cosmetics' expansion in other ways. New brands are launching online before having a presence on store shelves, while e-commerce retailers are expanding offerings and attracting investment.

Malaysia's PrettySuci.com has grown rapidly since its launch in 2018, and halal cosmetics brand SimplySiti, which sells over 40% of its products online, is planning to list on the Malaysian stock exchange. Kuwait-based Boutiqaat, a cosmetics and fashion ecommerce start-up, has doubled its valuation to \$500 million following funding from a Gulf-based investment firm.

While private initiatives may take halal cosmetics to the next level, the sector has not had as much support from OIC governments as it could have, particularly when compared to South Korea, where the Ministry of Food and Drug Safety is providing free training sessions on halal cosmetics certification.



Halal Trade & Marketing Centre

Your one-stop centre for Halal trade



The Halal Trade & Marketing Centre (HTMC) is a global business development centre focused on the Halal economy opportunities for manufacturers, suppliers, and distributors of Halal economy products and services.

Contact Us:

☎ +971 4 701 7000
 ✉ info@thehtmc.com
 🌐 www.thehtmc.com
 📍 DAFZA, Dubai, UAE

Founding Members:



مركز دبي لتطوير
الاقتصاد الإسلامي
DUBAI ISLAMIC ECONOMY
DEVELOPMENT CENTRE

A Global Gateway For Halal Industry

The Halal Trade & Marketing Center (HTMC) provides a platform that facilitates Halal economy companies to access key Halal trade and marketing services.

Our services:

MARKETING INTELLIGENCE

- Market Insights
- Business Support Databases

HALAL COMPLIANCE

- Certification and Compliance Advisory
- Training Programs

GROWTH SUPPORT

- Distributor linkage(s)
- Sharia Financing

www.thehtmc.com



Halal Cosmetics



CONSUMER OPPORTUNITY



\$64 BILLION of spending by



1.8 BILLION Muslims on cosmetics (2018 est.)



4.9% year on year growth

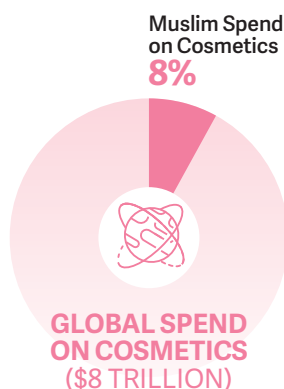
Projected CAGR growth



6.8% 2018-24 to



\$95 BILLION by 2024



\$11.7 BILLION of Cosmetics exports to OIC* countries 2018



\$1 BILLION EXPORT UNITED STATES

#4



GOVERNMENT OPPORTUNITY

Halal cosmetics can bolster exports and GDP but **requires government enablers and support.**

HALAL PHARMA/COSMETICS - GIE INDICATOR RANKING

1 UAE	6 Iran
2 Malaysia	7 Bahrain
3 Jordan	8 Brunei
4 Singapore	9 Turkey
5 Egypt	10 Azerbaijan



BUSINESS OPPORTUNITY

New businesses or business units can feasibly **generate strong revenues** across Halal cosmetics space

2020 HOT SECTORS FOR GROWTH



Halal nail polish



Halal face cream



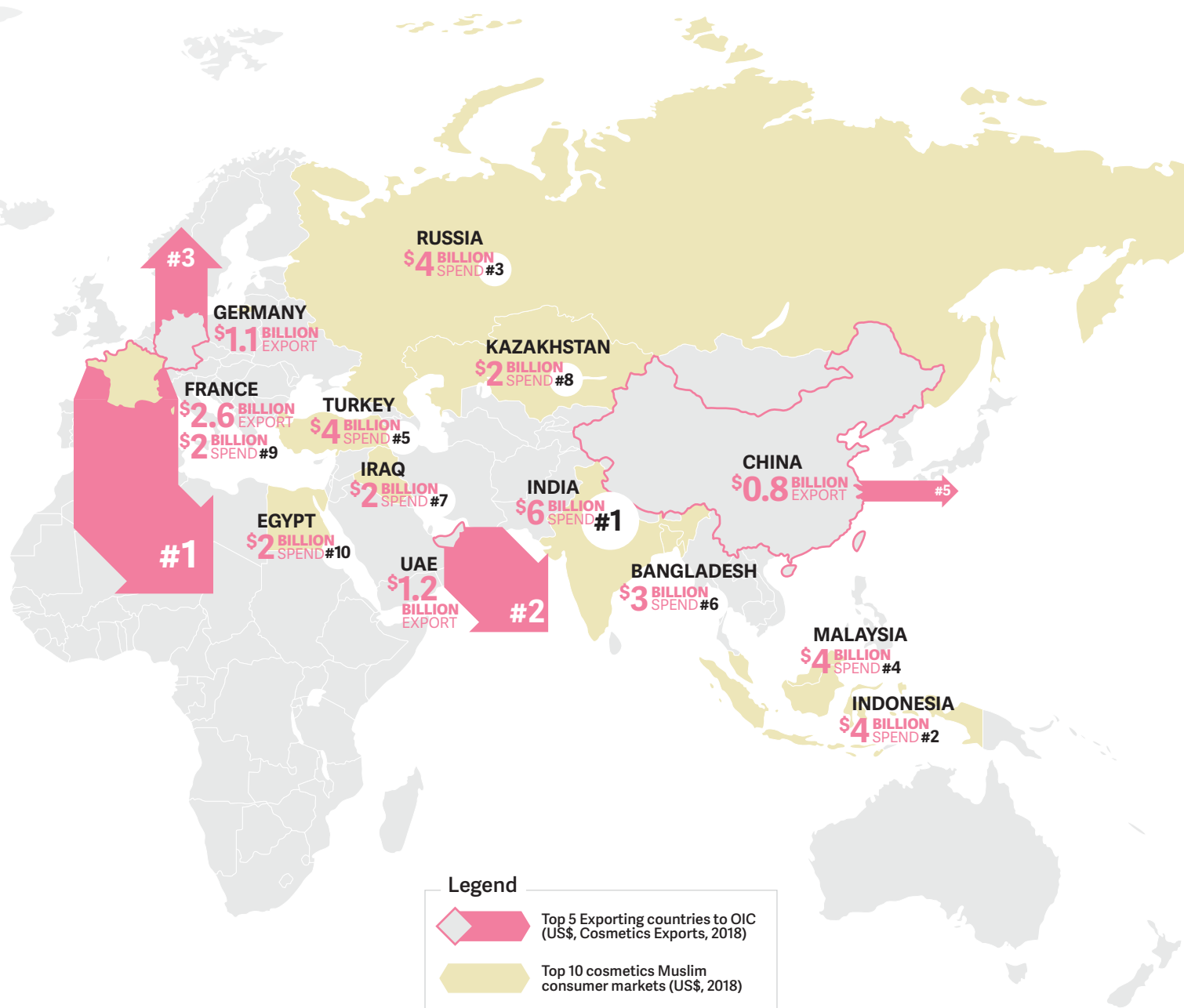
Scents & perfumes



Halal cosmetics eCommerce



Sustainable & Halal cosmetics



INVESTOR OPPORTUNITY

By investing in cosmetics companies that could be halal certified, there are substantial opportunities to generate returns.

\$653  **MILLION** in investments in Halal Products in 2018/19*

\$3M

IBA HALAL secures investment from Advantis enterprises (All India)

SIGNALS

- Investment in early-stage, high growth Halal beauty companies
- Halal cosmetics regulations tightening within the OIC
- Eco-friendliness within Halal cosmetics growing

countries. Halal and related products exports based on ITC Trademap 2018 data; Investments (figures and individual deals) are based on a detailed scan of the Zephyr database between 2018 and 2019; Enablers data, if shown, is based on Sovereign Wealth Institute (SWF Assets); the 2019 Bain Private Equity Report (Dry Powder), and Bloomberg News (2016)



CONSUMER LENS ON HALAL COSMETICS



Ms. Bushra

AGE:

32 years

INCOME:

US\$1,400



Running the family household.

Mother of two kids.

"I can only buy halal cosmetics online. There are no retail stores close to where I live."



MY VIEW



For me, halal cosmetics should be free from non-halal ingredients such as pig fat, ingredients derived from other non halal slaughtered animals, and free from alcohol.



Halal cosmetic products should also be compliant to Islamic rules therefore they should be halal certified.

MY SPENDING HABITS



Per month I spend approximately USD 30 to 40 on halal cosmetics such as lipstick, mascara, eye shadow, foundation, skin cleansers, body lotions, shampoo and conditioner.

MY SHOPPING HABITS



I can only buy halal cosmetics online, I do not know of any stores that sell halal cosmetics where I live. There are only two online stores in India, where I can buy it: www.amazon.in and www.nykaa.com.



Unfortunately, I have not found any retail store yet that sells halal cosmetics. Also, there are not enough brands, but the quality of the products is good. The price is fair and affordable for everyone. The brand I buy is mainly promoted through social media such as Instagram.

I WANT TO SEE MORE OF



More online and offline retail stores offering halal cosmetics. Also, there should be many more brands across the different categories such as lipstick, mascara, foundation and others.



Now I can only buy halal cosmetics online. There are no retail stores close to where I live.



CHALLENGES

1

There is not a lot of awareness about halal cosmetics in India, although more than 250 million Muslims live in the country.

2

The general perception on cosmetics is that it is ok to use cosmetic products, as long as they are of good quality and from a well-known brand. It is less important if the product is not halal.

3

No availability through the retail stores, and online it is limited to a couple of web shops and a limited number of brands.

2018/19 Developments

REVENUE DEVELOPMENTS

The halal cosmetics sector has seen top-line consumer spend growth of 4.9%, attracting new participants and investments.

Modest market spend growth

- Muslim spend on cosmetics globally has increased by 4.9% in 2018 from \$61 billion to \$64 billion, with India, Indonesia and Russia representing the top three countries by spend.

The sector has continued to attract new entrants but remains misunderstood.

Halal cosmetics is gaining traction, with manufacturers obtaining certification to access OIC markets, while established halal cosmetics companies are expanding their online presence and product portfolios:

- Malaysia's SimplySiti is planning to list on the Malaysian stock exchange, forecasting revenues of \$14.6 million in 2020. Some 42% of sales since 2017 are online.¹⁴⁵
- South Korean manufacturers are increasingly getting halal certification. Aekyung had one of its brands halal certified while 11 manufacturers, including Kolmar Korea and Cos Nine, have dedicated production lines for halal certified cosmetics for both local and overseas clients.
- Malaysia's Cosmoderm, owned by Vanity Cosmetics, opened a new halal production facility.¹⁴⁶

- New York based NARI Skincare is the first luxury brand to get halal certification in the US, in April 2019. The brand is to start e-commerce in 2020.¹⁴⁷

Halal cosmetics labeling remains misunderstood in Western Europe, which limits the scope of adoption:

- Halal labeling on cosmetics is less understood and trusted compared to organic, sustainable, vegan, and natural, at less than 40% in the UK and France, under 30% in Germany, and under 20% in Italy.¹⁴⁸

Global developments indicate potential for ethical cosmetics and e-commerce.

Investments have occurred across the ethical spectrum for cosmetics, but are limited in halal cosmetics:

- Kuwait-based Boutiqaat, a cosmetics and fashion e-commerce start-up, is one of the few OIC-based outlets to get investment, doubling its valuation to \$500 million following funding from a Gulf-based investment firm.¹⁴⁹
- Lush launches 40 new vegan lipsticks,¹⁵⁰ while Unilever is to launch its first new brand in 20 years, Love Beauty and Planet.
- L'Oréal acquired German vegan cosmetics brand Logocos Naturkosmetik.¹⁵¹



Former Lazada Indonesia co-CEO starts selling halal personal care products for mothers online:
<http://bit.ly/LazadaIndonesiaHalal>

OPERATIONAL DEVELOPMENTS

Halal cosmetics are poised to be transformed by an increased emphasis on sustainability and traceability.

Halal cosmetics are expected to benefit from the application of e-commerce and blockchain technologies to enable traceability.

- Malaysia has launched a blockchain-powered halal digital chain, HADIC, which also covers cosmetics.¹⁵²

- Malaysian halal cosmetics brand Miss Elwani joins the global halal blockchain registry integrated with the Verify Halal app.¹⁵³
- South Korea's Se Jung Shipping is applying for halal certification for its trucking service and is developing an app for traceability.¹⁵⁴





NATIONAL DEVELOPMENTS

Few OIC countries are encouraging the development of halal cosmetics, with significant potential to address the opportunity.

Halal cosmetics have been largely overlooked by OIC governments.

While Indonesia's drive to have an Islamic economy is supporting the sector, South Korea is making bolder moves than most OIC countries to support Halal cosmetics exports:

- Indonesia launched its Islamic Economics Masterplan (MEKSI) 2019-2024, which includes a focus on strengthening cosmetics production and export, as well as e-commerce.¹⁵⁵
- South Korea has signed a MoU with the Halal Development Corporation of Malaysia (HDC) and is in discussions to produce halal cosmetics in Malaysia.¹⁵⁶

ENABLING ECOSYSTEM DEVELOPMENTS

Halal regulation has made moderate progress towards harmonization, with some encouraging educational initiatives.

Moderate activity, but developments underway.

Formalized education in halal remains a gap globally but initiatives have been undertaken in Malaysia and South Korea:

- South Korea's Ministry of Food Drug and Safety is providing free training sessions on halal cosmetics certification.¹⁵⁷
- Malaysia's Halal International Selangor has developed a halal training and education center, including a dedicated program for halal cosmetics.¹⁵⁸
- The UK's Croda updated its 'Formulating for Halal: Certified Ingredient Guide', which lists different types of halal certifications for raw materials.¹⁵⁹

Standards are being revised but are still fragmented.

Malaysia is revising standards and issuing guidance on halal cosmetics while Indonesia's decision to phase in mandatory halal certification will further develop the sector:

- Malaysia is revising its halal cosmetics standards and working towards a halal ISO, with an eye on becoming an industry standard setter.¹⁶⁰
- Philippines issued new standards and launched a new national halal logo to bolster exports.¹⁶¹
- Indonesia's Halal Law no. 33/2014 for Cosmetics or Food Supplement Manufacturers, which was due to be implemented in 2019, has been delayed until 2024 to allow manufacturers to obtain certification before they can distribute in the country.¹⁶²

SOCIAL IMPACT

Halal pharmaceuticals have substantial opportunities to realize their full ethical role.

Strong analogs, but with a limited role played by halal cosmetics companies relative to potential, with a clear mapping in the 2018/19 report to 8 SDG goals, including eradicating poverty and hunger

Halal cosmetics companies could launch products that do not have synthetic or contentious ingredients that are damaging to humans and the environment:

Natural and vegan cosmetics brand Bybi Beauty launched a balm with the tube made of biodegradable sugar cane.¹⁶³

- US cosmetics brand Stream2Sea highlights traceability and sustainability throughout its products, from biodegradable ingredients to environmentally friendly bottles and packaging.¹⁶⁴
- Natural and organic sales were estimated at \$11.5 billion in 2018 and forecast to double by 2025.¹⁶⁵





2019 Signals of Opportunity



Companies getting halal certification for export opportunities have dominated halal cosmetics developments in 2018/19, but there have been few new dedicated halal entrants. Investments and halal's broader role in social impact remain weak and opportunities largely unaddressed.



◆ REVENUE DEVELOPMENTS IN HALAL COSMETICS HAVE BEEN MODERATE.

While consumer spend has shown substantial 4.9% growth, the halal cosmetics sector remains niche. There is a substantial opportunity for investors to provide seed capital or acquire new and emerging brands that cater to the OIC markets and beyond, that could rapidly be turned into multi-million-dollar revenue companies.

◆ OPERATIONAL DEVELOPMENTS IN HALAL COSMETICS REMAIN WEAK.

Blockchain is gradually being adopted but it is still too early to gauge economic impact. There are significant opportunities for investors in halal cosmetics startups and for multinationals to develop dedicated halal certified product lines.

◆ NATIONAL ECONOMIC DEVELOPMENTS ARE WEAK, ESPECIALLY IN OIC COUNTRIES.

Southeast Asia is emerging as the epicenter of halal cosmetics, especially Malaysia and Indonesia, while South Korea has seized on the export potential to OIC countries.

◆ REGULATORY DEVELOPMENTS REMAIN MODEST.

Halal regulation remains fragmented, with few OIC countries introducing or revising standards. Greater regulatory alignment is needed to bolster industry growth, especially for exports.

◆ BROADER ETHICAL LINKAGES OF HALAL COSMETICS TO SDGS REMAINS WEAK.

Halal cosmetics have all the attributes to fulfill a broader social role through addressing the growing global consumer demand for ethical, vegan and eco-friendly products.



Strategic Considerations by Stakeholder

OVERVIEW

The halal cosmetics sector is well positioned for investment and acquisitions, while cosmetics companies seek certification to bolster export potential to OIC countries. OIC national governments can develop halal cosmetics alongside national growth strategies.

Muslim spend on cosmetics is projected to grow by 6.8% per annum to reach **\$95 billion** by 2024 and investors, governments and businesses can address substantial opportunities across the halal cosmetics industry by developing robust strategies, with strategic imperatives and select opportunities highlighted below.



Investors

- Engage natural cosmetics and halal thought leaders on market opportunities.
- Develop a pipeline of deals and needed certifications and labels.
- Develop value creation plans that center on global partnerships and accessing large OIC markets.



Government

- National strategy to support halal cosmetics production.
- Global consolidation of cosmetics standards.
- Alignment with vegan and ethical product labels.



Business

- Conduct a feasibility study on the halal proposition for major brands in OIC markets.
- Consider acquiring emerging halal cosmetics brands.
- Develop a global roadmap that considers all aspects of the value chain.

Select Attractive Opportunities

Attractive solution categories	Attractive countries for investment and development
Halal nail polish	UAE (production)
Halal face cream	U.S. (product development and diversification)
Scents and perfumes	Indonesia (production)



Source: Based on interviews with market participants; not exhaustive



BEAUTY STORE IN KUALA LUMPUR, MALAYSIA. IMAGE CREDIT: HAFIZ JOHARI / SHUTTERSTOCK.COM



INVESTORS

By investing in cosmetics companies that could be halal certified, there are substantial opportunities to generate returns.



PRIVATE INVESTMENT AND MORE HALAL CERTIFIED BRANDS

Private investments are key to financing halal cosmetics start-ups, from initial product development and ingredients sourcing, to certification, packaging, marketing and sales outlets.

With global cosmetics sales experiencing the largest growth in over a decade, and rising demand for halal cosmetics among Muslim millennials, the sector's high growth and scale of global demand represents strong fundamentals for venture capitalists and private equity investors.

Notable developments

Halal product launches accounted for 2.7% of all launches in the global beauty and personal care category between 2017 and June 2019, despite the absence of major investments.

Analogs

San Francisco Equity Partners acquired a majority stake in natural cosmetics brand jane iredale.

Potential outcomes by 2030

Creation of globally recognized halal cosmetics brands generating billions of dollars in annual revenues.



HALAL COSMETICS FIRMS FACE COMPETITION FROM ORGANIC, NATURAL AND PLANT-BASED PRODUCTS.

There has not been the same notable investment in halal cosmetics as in other Islamic economy sectors, signaling much more work needs to be done.

Risk

Without significant investor interest, the scope for new companies to emerge and push innovations may be limited.

STRATEGIC IMPERATIVES



Engage natural cosmetics and halal thought leaders on market opportunities.



Develop a pipeline of deals and needed certifications and labels.



Develop value creation plans that center on global partnerships and accessing large OIC markets.



GOVERNMENT

Halal cosmetics can bolster exports and GDP but requires government enablers and support.

+

AT A NATIONAL LEVEL, OIC COUNTRIES CAN GENERATE SUBSTANTIAL ECONOMIC RETURNS FROM HALAL COSMETICS.

OIC governments have an opportunity to match South Korea's burgeoning interest in halal cosmetics by strengthening the overall ecosystem. Enhancing cooperation agreements, as South Korea and Malaysia have done through mutual production agreements, can also bolster the sector's development.

Notable developments

South Korea signed a MoU with the Halal Development Corporation of Malaysia, with aims to produce halal cosmetics in Malaysia.

Analogs

South Korean cosmetics exports grew 26.5% in 2018, to \$6.26 bn, and to OIC countries by 46.2%, to \$232.5 million, driven in part by halal certification.

Potential outcomes by 2030

An OIC country has become a leading manufacturer and exporter of halal cosmetics around the world.

-

WEAK PRODUCT DEVELOPMENT CONTINUES IN OIC COUNTRIES, WITH HIGH IMPORT DEPENDENCY.

Few OIC countries are manufacturing halal cosmetics, with non-Muslim majority countries being the primary producers, especially in the West and South Korea.

Risk

The OIC region has failed to manufacture halal cosmetics at scale and forgoes significant growth opportunities.

SOUTH KOREAN RETAIL DISPLAY. IMAGE CREDIT: SORBIS / SHUTTERSTOCK.COM





+

HALAL COSMETICS STANDARDS COULD LEAD TO GREATER EXPORT OPPORTUNITIES, ESPECIALLY IF LINKED WITH NATURAL AND ORGANIC LABELS.

Halal cosmetics has the opportunity to tap into the growing demand for eco-friendly products and would be bolstered by strong as well as widely recognized industry standards that include traceability through blockchain technologies.

Notable developments

Malaysia is revising its halal cosmetics standards, while Indonesia issued a new halal law for cosmetics manufacturers.

Analogs

The Certified Vegan label is globally recognized, with over 1,076 companies certified.

Potential outcomes by 2030

Halal cosmetics standards are widely accepted, with the halal label value-added trust for consumers in addition to natural and organic labels to have a broader consumer base.

-

UNDERSTANDING OF HALAL COSMETICS LABELING IS WEAK, CREATING CONFUSION AMONG CONSUMERS.

There remains a lack of alignment on halal standards globally, with a lack of coordination on accreditation between IHAF and Malaysia-led accreditation efforts.

Risk

Substantial national differences remain on halal food standards and regulations, limiting global alignment and market access.

STRATEGIC IMPERATIVES

National strategy to support halal cosmetics production.



Global consolidation of cosmetics standards.



Alignment with vegan and ethical product labels.





BUSINESSES

Multinational cosmetics companies can generate substantial growth through dedicated halal lines.

+

MULTINATIONALS CAN PLAY A LEADING ROLE IN HALAL PRODUCT OFFERINGS.

Multinational companies can generate above average growth through investment in the halal proposition and by selling their products in OIC markets as well as catering as to Muslim millennials in non-Muslim majority markets.

By acquiring brands in high growth sub-segments like vegan or organic cosmetics that could also be halal certified, multinationals would bolster market viability through marketing campaigns.

Notable developments

Aekyung, one of South Korea's largest manufacturers, had one of its brands halal certified by Indonesia's MUI.

Analogs

Brazil's Natura & Co acquires Avon Products, adding to its natural brands portfolio (Natura, Body Shop) with revenues forecast at over \$10 billion.

Potential outcomes by 2030

Multinationals have generated billions of dollars in revenues from dedicated halal product categories.

-

MANY CORPORATES DON'T FULLY REALIZE THE SCALE OF THE OPPORTUNITY.

The halal opportunity remains largely underexploited due to a lack of consumer awareness and concerns about public opinion in non-OIC countries. Indonesia's mandatory halal certification requirements could alter market perceptions of the commercial viability of halal cosmetics, given the country's population of over 260 million.

Risk

Halal remains niche globally, with multinationals investing in other cosmetics sub-segments instead.

THE BODY SHOP AT KUALA LUMPUR INTERNATIONAL AIRPORT (KLIA) IMAGE CREDIT: MRFIZA / SHUTTERSTOCK.COM





+

EARLY STAGE SUPPORT MECHANISMS CAN CREATE RAPIDLY SCALED HALAL COSMETICS PROPOSITIONS.

By developing broader environmental and ethical opportunities, halal cosmetics propositions can cater to a growing market segment, for instance by also being organic or cruelty-free certified or being part of the solution to a broader problem, such as the need for sustainability throughout a product's lifespan.

Notable developments

Emergence of luxury brands that have halal and vegan certification such as elline Switzerland and NARI Skincare.

Analogs

175% increase in vegan cosmetics launches over five years.

Potential outcomes by 2030

Halal cosmetics brands are sector influencers through trust in ingredients, sourcing, and sustainability.

-

THERE IS A LACK OF DEDICATED SUPPORT FOR HALAL COSMETICS ENTREPRENEURS.

There is limited support from the public or private sectors to develop halal cosmetics, although the Malaysian government is providing some support, and South Korea's Ministry of Food and Drug Safety is providing free training sessions on halal cosmetics certification.

Risk

Halal cosmetics entrepreneurs without ethical or eco-friendly credentials fail to raise investment or reach scalability.

BUSINESSES ROADMAP

Conduct a feasibility study on the halal proposition for major brands in OIC markets.



Consider acquiring emerging halal cosmetics brands.



Develop a global roadmap that considers all aspects of the value chain.







Halal Media and Recreation

SUMMARY

Islamic-themed media, spanning movies, mini-series and online content, continues to gain strength and prominence. Apps aimed at Muslim lifestyle needs are thriving while Islamic cultural values are being developed for children across numerous platforms.

On the big screen, Muslim movies are gaining traction, with the Mosquers Film Festival in Canada attracting 40 submissions from around the world, while Hollywood has more evidently portrayed Muslim characters. Stereotypes continue nonetheless, prompting British actor Riz Ahmed to develop the "Riz Test", with five criteria measuring how Muslims are portrayed on film and TV.

While there is still a ways to go in terms of changing mentalities through the media, mainstream studios and streaming platforms are adapting and creating new content to appeal to Muslim viewers, both in non-Muslim majority countries and within the OIC. For instance, Netflix is planning to launch a second original Middle Eastern series titled "Al Rawabi School for Girls" and has launched a series in Spain, called "Elite", that highlights the challenges faced by Muslims.

Animation geared for both children and adults is being developed, with notable developments over the past year in the Middle East. Saudi Arabian studios have been inspired by the popularity of Japanese anime to release series and animated feature films based on Arab characters and folklore, while Omani developed "Tawasel" was named Best Animated Series of 2018 at the Cairo International Animation Forum 2019.

Muslim spend on media and recreation was \$220 billion in 2018 and is forecast to reach \$309 billion by 2024.

The Gulf region is also cementing its position as a production hub for film and TV, with Abu Dhabi, Dubai, and Saudi Arabia, among others, all vying for the top slot. Cinema is also getting a boost through new film festivals, while cinema chains are opening throughout Saudi Arabia after the ban on them was lifted in 2017.

Investments in Islamic lifestyle apps have been very encouraging. While the acquisition of Muslim Pro is not a distant memory, numerous encouraging investments occurred this year, including Denmark-based Muslim lifestyle App Salam Planet raised \$1.05 million in funding from Prometheus Equity Partners, while established apps have shown strong performance, such as Muslim Pro exceeding 70 million downloads globally, and Muzmatch, the matrimony app funded by a consortium of investors, raising \$7 million in funding and crossing the 1 million downloads mark.

As disposable income for entertainment increases in the OIC countries, and with over half of Muslims to be under the age of 30 by 2030, the sector is ripe for further development of Islamic-themed media.





Pulse of the Global Islamic Economy

Launched in October 2015, Salaam Gateway is the world's leading news and insights platform on the global Islamic economy.

We cover sectors across Islamic finance, halal, and Islamic lifestyle, with an eye on key producer and consumer markets.

salaamgateway.com



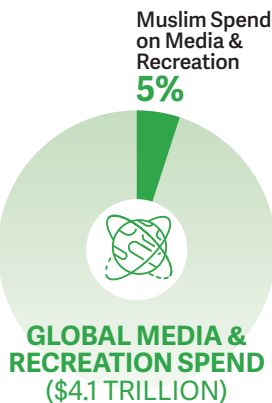
Media & Recreation



CONSUMER OPPORTUNITY

\$220 BILLION of spending by **1.8** BILLION Muslims on media (2018 est.)

5.3% year on year growth **5.8%** Projected CAGR growth 2018-24 to **\$309** BILLION by 2024



\$6.8 BILLION media & recreation exports to OIC* countries 2018

SECTOR BREAKDOWN

58% Toys, games & sports requisites **32%** Printed books, newspapers, pictures **11%** Photographic or cinematographic goods



GOVERNMENT OPPORTUNITY

Islamic-themed media propositions can **boost local creative industries**



BUSINESS OPPORTUNITY

Media companies can flourish by developing **tailored content** for Muslim consumers

MEDIA & RECREATION - GIE INDICATOR RANKING

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

2020 HOT SECTORS FOR GROWTH



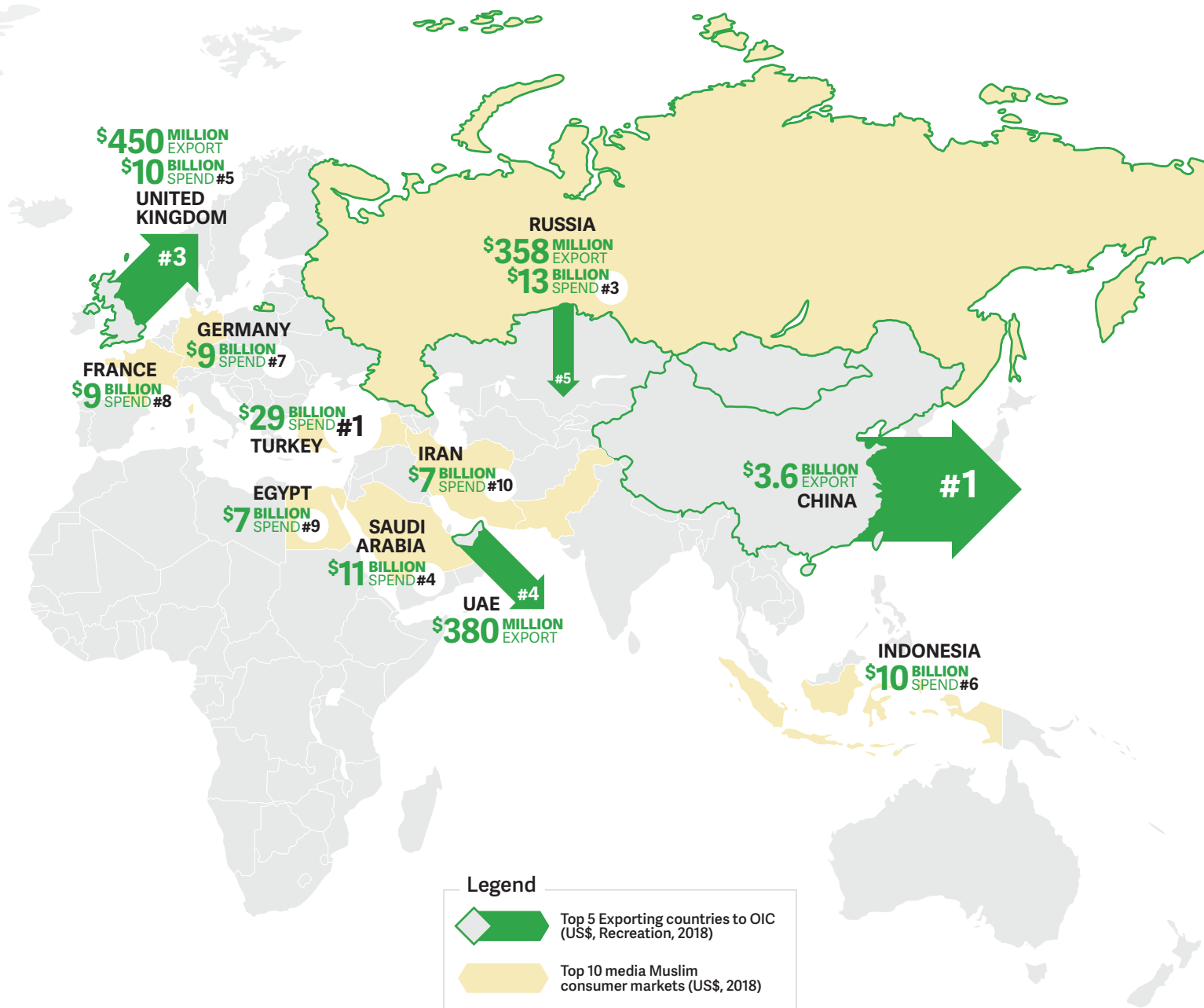
Islamic-themed movies / serials



App-based lifestyle services



Culturally-themed documentaries



INVESTOR OPPORTUNITY

There are substantial opportunities for investors to create scaled, global tech Islamic lifestyle propositions.

\$42 **MILLION** in investments in Halal Products in 2018/19*

\$7M

MUZMATCH secured investment from Luxor Capital (U.S.)

\$1M

SALAM PLANET APS (Denmark) secures investment from Promentum Equity Partners (all in Denmark)

SIGNALS

- Buy and build opportunities across smaller, high growth entities
- Investment in Islamic-themed, cultural content
- Saudi Arabia opening up to cultural and recreational



CONSUMER LENS ON ISLAMIC-THEMED MEDIA



Ms. Leila

AGE:

41 years

INCOME:

US\$3,300



ANTWERP,
BELGIUM

Journalist, reporting about what is going on in the world.

Loves to travel and shoot beautiful pictures, mainly of Islamic architecture.

"I am a family person and enjoy quality time with my parents and siblings."



MY VIEW



It actually depends on how one defines Islamic media. I think we should use another term though. Basically, Islamic-themed media would be any platform that provides Islamic themed content from around the globe and not only from the Arab world.



It should be about content that is researched and produced by professionals who have the necessary background and language skills.

MY SPENDING HABITS



I like to listen to Arabic music and spend about 20 hours per month streaming the music through Spotify or YouTube, or watching music clips through satellite. This is a common way for Muslims in Europe to consume Arabic or Islamic-themed content.



When it comes to buying Islamic or Arabic newspapers, magazines and books I mainly purchase these when I am visiting an Arab country. Then I spend approximately \$55 to \$110 each time. Regarding subscriptions to Islamic-themed media, I have access to these through my work.

MY SHOPPING HABITS



Most of the time, I go to specific book-stores and buy a couple of magazines to read up.



I also track social media to see what English Islamic-themed content is available. When I travel, I go through the magazines provided in airports and hotels.



For my favorite shows and soaps, I rely on Netflix and the internet. I rarely watch TV. The first Arabic series I'll be watching is either "Jinn" or "Al Hayba". Honestly, there aren't many options.

I WANT TO SEE MORE OF



Unfortunately, there is not enough content available: there is still a lot of work to do. What we usually see, is that the overwhelming majority of western editors and content writers who are based in the Arab World do not speak more than a few words of Arabic.



Therefore, they are not able to conduct proper interviews or cover the content as it should be covered when dealing with Arabic speaking interviewees. Imagine a foreign journalist covering Eid Al-Adha without being able to understand the culture and language. Speaking the language should be a priority in order to report about specific Arabic or Islamic events.



In an ideal world Islamic-themed media would focus more on Islamic culture. It is important to create content to which Muslims can relate and break stereotypes.



CHALLENGES

1

There is no Islamic or Arabic content at all [in Belgium], unless I go to a bookstore in Brussels South.

2

Islamic history was deliberately forgotten and never taught at school [in Belgium].

3

We should see religion and culture as a language, if you don't understand your own language well, the other won't understand it either and will get confused.



2018/19 Developments

REVENUE DEVELOPMENTS

The sector has seen top-line consumer spend growth of 5.3%, with strengthened media content driving a positive Muslim narrative, and lifestyle apps attracting investment.

Robust market spend growth

- Muslim spend on lifestyle and recreation globally has increased by 5.3% in 2018 from \$209 billion to \$220 billion, with Turkey, the U.S. and Russia the top three countries by spend.

Islamic-themed movies, television and animated content are driving a positive Muslim narrative.

The movement to create Islamic-themed media content, spanning movies and mini-series, continues to gain strength, countering the anti-Islamic narrative that has been pushed by populism:

- Muslim movies are gaining traction, with the Mosquers Film Festival in Canada attracting 40 submissions from around the world and displaying 10 finalist short films about Islam and Muslims¹⁶⁶, while Jinn's world premiere was well-received, with the movie winning multiple awards.¹⁶⁷
- Conventional Hollywood movies are portraying more Muslim characters, with Hollywood observers identifying more characters than ever before¹⁶⁸ with incidental characters wearing hijab in movies such as A Simple Favor and Spiderman.¹⁶⁹ A test, the "Riz test", has been developed by actor Riz Ahmed to monitor instances of negative Muslims stereotypes portrayed in film and television.¹⁷⁰
- Cultural content is gaining importance and is a key avenue to exploring religious values, with Netflix planning a second original Middle East Series titled Al Rawabi School for Girls¹⁷¹ and launching a series in Spain, called "Elite", that highlights the challenges faced by Muslims.¹⁷²

A very positive narrative of Muslim and cultural values is also being developed in content aimed at children:

- Arab characters are being created in the form of Japanese anime and are gaining substantial popularity, with Studio Tanim in Saudi Arabia creating Sadae, an animated movie, and three cartoons,¹⁷³ while Saudi Arabia's animation studio Manga Productions is creating a feature called The Journey based on Arab folklore.¹⁷⁴

- Omani cartoon animation Tawasel has been named Best Animated Series of 2018 at the Cairo International Animation Forum 2019.¹⁷⁵
- Muslim characters are gaining traction in comics, with Comic Con in New York City attracting Muslim creative talent actively exploring the role of Islamic-themed content in comics.¹⁷⁶
- Islamic-themed toys are gaining significant popularity, such as Salam Sisters, a creation of Zileej, which is retailing in Western stores, and is now available online.

New forms of content are emerging to appeal to the values of a predominantly young Muslim demographic.

Beyond traditional Islamic TV channels, a younger Muslim demographic is pushing for newer forms of engagement, spanning podcasts and music, with social media playing an important role in galvanizing Muslims:

- Music and podcasts are gaining importance, with Spotify launching in the Middle East and North Africa, creating a fully tailored Arabic user experience,¹⁷⁷ and Dubai-based Kerning Ventures, the first venture-funded podcast company in the Middle East, experiencing substantial growth.¹⁷⁸
- HijrahFest is a dedicated festival in Indonesia inspired by popular clerics on social media to celebrate Islam and explore various life-style services, attracting 12,000 festivalgoers. Particularly in Indonesia, social media has been a very important avenue to reach and galvanize Muslim audiences.¹⁷⁹
- Amaliah's acquisition by Halal Gems is a notable example of expansion, with a content provider moving vertical and while Amaliah continues to provide new forms of content and with the acquisition it has ventured also into events.¹⁸⁰





Investments have focused on Islamic lifestyle apps, with other business models yet to be validated.

Investments in Islamic-themed media and recreation remain limited, but apps have proven to be particularly attractive to venture investors, especially those that provide a multi-service offering, while social media and tv channels struggle to raise funds beyond crowdfunding:

- Venture investors have clearly validated the concept of well-designed apps that address various Muslim lifestyle needs, with Muzmatch raising \$7 million in funding from a U.S.-based consortium¹⁸¹ and Denmark-based Muslim lifestyle multi-service app Salam Planet raising \$1.05 million in funding from Promentum Equity Partners.¹⁸²
- Apps that have previously raised investment are performing strongly. Muslim Pro, which in 2017 received more than \$10 million in investment from Affin Huang and CIMB Bank, has now exceeded 70 million downloads globally, with 5.5 million downloads in Malaysia, and is broadening its offering to include Halal Food locations.¹⁸³ Muzmatch, the matrimony app funded by a consortium of investors, including Hambro Perks, has crossed the 1 million downloads mark¹⁸⁴ and is raising \$7 million in funding.¹⁸⁵
- Dedicated Islamic TV channels have had to resort to crowdfunding, including UK-based Eman Channel raising GBP 18,901 (\$23,291)¹⁸⁶ and Five pillars raising GBP 125,362 (\$154,482).¹⁸⁷
- Historically, dedicated social media platforms have not fared well, most notably, Salaam World. This year saw the launch of Labbayk, a new social media platform based on Islamic values and providing a respectful and safe online environment, which now seeks to appeal to a broader, non-Muslim user base¹⁸⁸. Furthermore, Dubai-based Salam Web plans to invest \$15 million over the next two years to develop a Shariah compliant web browser.¹⁸⁹



NATIONAL DEVELOPMENTS

The MENA region is positioning itself as a global media production hub, driving the production of cultural and religious-themed media content.

The GCC region seeks to become a leading production hub for cultural and Islamic-themed content.

The MENA region seeks to boost its role in producing cultural and Islamic-themed content, bringing potential economic benefits to the region:

- UAE is seeking to be a hub for MENA film production, with Dubai Studio City launching CineMENA, a platform for local content creation, and an alliance between Image Nation Abu Dhabi, Majid Al Futtaim and MBC Studios to collaborate on MENA-wide production for film and TV projects.¹⁹⁰
- Saudi Arabia seeks to galvanize local content creation by holding an annual film festival in Jeddah from 2020, supplementing the Abu Dhabi film festival¹⁹¹, and through the creation of the Yalla Yalla Film and TV company, a joint venture between Front Row Entertainment and Rocket Science.¹⁹²
- Leading cinema chains are expanding their presence in Saudi Arabia after the ban on them was lifted in 2017, with Vox Cinemas and Carnival Cinemas¹⁹³ to open nearly 1,000 screens across the kingdom, UK-based The Light planning to open 15 locations,¹⁹⁴ and Imax¹⁹⁵ planning to open theaters as well.
- Qatar is seeking to become a production hub as well, with BBC studios and Qatar's beIN Media Group, owner of Miramax Films, partnering to develop and co-produce content across the Middle East¹⁹⁶



BROADER ETHICAL IMPACT

Islamic-themed media has substantial runway to realize its role in addressing SDGs.

Islamic-themed content can play a powerful role in addressing SDGs in Muslim countries with a clear mapping in the 2018/19 report showing that Media can address 7 SDG goals, including eradicating poverty, promoting job creation and reducing inequalities.

Film represents a powerful tool to inform and inspire audiences to address the SDG goals, with Islamic-themed media having an important role to step up to, especially to support Least Developed Countries in the OIC:

- The UN plans to host a film festival in 2019 to showcase short films, less than ten minutes in length, on how select SDGs are being addressed around the world.¹⁹⁷
- The Belgian Development Company is supporting the production of films in Africa to foster local creativity, drive economic growth and to directly address SDGs in the region.¹⁹⁸



2019 Signals of Opportunity

◆ Islamic-themed media and recreation has continued to push a positive Muslim narrative around the world in 2018/19, although substantial investments remain limited to lifestyle apps, with little evidence of profitable business models and substantial unaddressed potential for media to address the SDGs in the OIC region.



◆ REVENUE DEVELOPMENTS IN MEDIA HAVE BEEN PROMISING, BUT INVESTMENTS REMAIN VERY LIMITED.

Consumer spend has shown robust 5.3% growth and creative content and product development, however, the Media industry overall remains fragmented. With notable investments in app-based lifestyle businesses in the last few years, and with numerous promising but small entities having emerged, the industry is ripe for consolidation.

◆ OPERATIONAL DEVELOPMENTS HAVE BEEN LIMITED.

There remains little evidence of viable business models in Islamic-themed media, with concerns around notable failed initiatives including social media applications. There are substantial opportunities for media-focused investors and incubators to closely align and support entrepreneurs to facilitate global scale.

◆ NATIONAL ECONOMIC DEVELOPMENTS HAVE BEEN PROMISING, ALTHOUGH FOCUSED ON MENA.

The MENA region has led the way in developing robust cultural and religious-themed alternatives to Hollywood and Bollywood, suggesting substantial potential for media production, governments and investors across the OIC.

◆ BROADER ETHICAL LINKAGES OF MEDIA TO SDGS REMAIN WEAK.

Media can play a broad role in addressing SDGs in the OIC, posing substantial opportunities for investors, governments and media companies alike.



Strategic Considerations by Stakeholder

OVERVIEW

Islamic-themed media remains ripe for investment with substantial opportunities for media companies and entrepreneurs, as well as OIC government stakeholders.

Muslim spend on media and recreation is projected to grow by 5.8% to reach **\$309 billion** by 2024. Investors, governments and businesses can address substantial opportunities across the Islamic-themed media and recreation industry by developing robust strategies, with strategic imperatives highlighted below.



Investors

- Explore the market opportunity for Islamic media.
- Work with experienced partners to identify investments.
- Chart a growth path for potential portfolio companies.



Government

- Develop a national strategy for Islamic-themed media.
- Determine the KPIs and roadmap.
- Identify partners to activate the opportunity and drive GDP growth.



Business

- Evaluate the opportunity and conduct primary research on market need.
- Review case studies and analogs of similar propositions.
- Identify production partners to develop new Islamic-themed content.

Select Attractive Opportunities

Attractive solution categories	Attractive countries for investment and development
Islamic-themed movies	Saudi Arabia (culturally and religious-themed content production)
App-based lifestyle services	UK (content development and streaming)
Culturally-themed documentaries	UAE (app-based lifestyle services)



Source: Based on interviews with market participants; not exhaustive



IMAGE CREDIT: CHALERMPON POUNGPETH / SHUTTERSTOCK.COM



INVESTORS

There are substantial opportunities for investors to create scaled, global tech Islamic lifestyle propositions.



ISLAMIC-THEMED APPS ARE ATTRACTING INVESTORS, WITH A POSITIVE GLOBAL GROWTH STORY.

App-based Islamic lifestyle services have seen important investments in the last two years, building momentum among a growing list of investors spanning Malaysia (Affin Huang), Europe (Hambro Perks, Promentum Equity Partners), and the US (Y Combinator, Cue Ball Capital).

As more literature and research becomes available, investors should seek to understand the Muslim lifestyle opportunity and the diverse media opportunities available that go beyond apps to span television, film and advertising.

Notable developments

Private investments secured by Muslim Pro, Muzmatch and Salam Planet.

Analogs

Ipr.vc is a specialized media VC fund in Finland with ESG criteria, which has invested \$9 million in 6 companies.

Potential outcomes by 2030

Multi-functional Muslim lifestyle tech companies with over a billion users.



BUSINESS MODELS REMAIN UNPROVEN, KEEPING INVESTORS AWAY.

The majority of disclosed institutional investment has been focused on apps, with limited consideration given to broader media propositions. Significant engagement is needed with media investors on the Islamic-themed opportunity, with a potential role by OIC governments to provide critical funding and to act as co-investors.

Risk

Islamic-themed media remains an underfunded niche, largely ignored by private investors.

STRATEGIC IMPERATIVES



Explore the market opportunity for Islamic media.



Work with experienced partners to identify investments.



Chart a growth path for potential portfolio companies.



GOVERNMENT

Islamic-themed media propositions can support the establishment of production hubs in OIC countries, boosting creative industries.

+

GOVERNMENTS CAN FOLLOW THE LEAD OF THE MENA REGION TO BOOST PRODUCTION OF LOCAL CONTENT.

Building on major initiatives by the GCC states, OIC governments have a tangible opportunity to create new content production hubs spanning television and film, with a substantial focus on cultural and Islamic-themed content.

Sovereign wealth funds and production companies can play an important role in establishing new media hubs, serving the purpose of economic diversification and job creation.

Notable developments

Local production efforts across the GCC, including TwoFour54 in Abu Dhabi and CineMENA in Dubai.

Analogs

While the US, China and India lead the world by box office revenue, Nigeria and Mexico have developed notable film industries, developing a robust financing ecosystem.

Potential outcomes by 2030

An ethical and cultural counterweight to Bollywood and Hollywood emerges from the MENA region, catalyzing next generation Islamic-themed media.

-

THERE REMAINS SUBSTANTIAL LACK OF GOVERNMENT SUPPORT FOR MEDIA PRODUCTION ACROSS THE OIC.

OIC countries to a large extent remain consumers of Western media, with limited control over the global media narrative about Muslims and about cultures across the Muslim world.

Risk

Islamic-themed media remains within the remit of Muslims in non-OIC countries.

STRATEGIC IMPERATIVES



Develop a national strategy for Islamic-themed media.



Determine the KPIs and roadmap.



Identify partners to activate the opportunity and drive GDP growth.





THE FAMOUS CINEMA RIF OF TANGIER, NORTH OF MOROCCO.
IMAGE CREDIT: PIERRE-YVES BABELON / SHUTTERSTOCK.COM



BUSINESSES

Media companies can flourish by developing tailored content for Muslim consumers.



ISLAMIC-THEMED CONTENT CAN SUBSTANTIALLY BOOST VIEWERSHIP AND ENGAGEMENT ACROSS OIC MARKETS.

Building on the exploration of Islamic-themed characters in films and television, there is an opportunity for media companies to create dedicated Islamic-themed content that can appeal to a broader global Muslim as well as non-Muslim audience, focusing on varied themes of family and ethical values as well as Islamic history and culture.

Notable developments

Netflix creating localized and religious-themed content, such as *Al Rawabi* school for girls.

Analogs

Shtisel, an Israeli TV drama about an Orthodox Jewish family, has gained a diverse international audience and is now available on Netflix.

Potential outcomes by 2030

Popular Islamic-themed television content is created (screened either through television or cinema) that exceeds 100 million viewers globally.



PORTRAYAL OF MUSLIMS IN WESTERN MEDIA REMAINS LARGELY NEGATIVE POST-9/11.

Muslim lifestyle and culture still remain at the fringes of mainstream media, with a largely negative portrayal of Muslims.

Risk

Beyond the occasional character or sub-theme, Islamic-themed media is overlooked, with negative narratives remaining dominant.





NEW BUSINESSES HAVE AMPLE UNMET OPPORTUNITIES TO ADDRESS AMONG MUSLIM CUSTOMERS.

Entrepreneurs have the opportunity to develop engaging content in new genres, such as children's media, educational content and documentaries, all of which have seen businesses attract crowdfunding and gain notable traction.

Working with media-focused incubators and engaging the broader Muslim community for initial funds are important first steps to develop robust concepts.

Notable developments

The emergence of Islamic-themed video-on-demand platforms, such as Muslim Kids TV, Ali Huda and Alchemiya, that have attracted private or crowdfunding.

Analogs

The Jewish Broadcasting Service is available across multiple platforms, including streaming service Roku, with its on-demand version reaching over 40 million homes across North America.

Potential outcomes by 2030

Dedicated Islamic-themed platforms emerge that are able to attract over 100 million annual subscribers globally.



SUPPORT FROM THE INVESTMENT COMMUNITY FOR ISLAMIC-THEMED MEDIA REMAINS LIMITED.

Outside of apps, Islamic-themed media content producers struggle to raise investment beyond community and need substantial support to engage investors and access available capital.

Risk

Islamic-themed content remains underfunded and restricted to small-scale social media efforts.

STRATEGIC IMPERATIVES



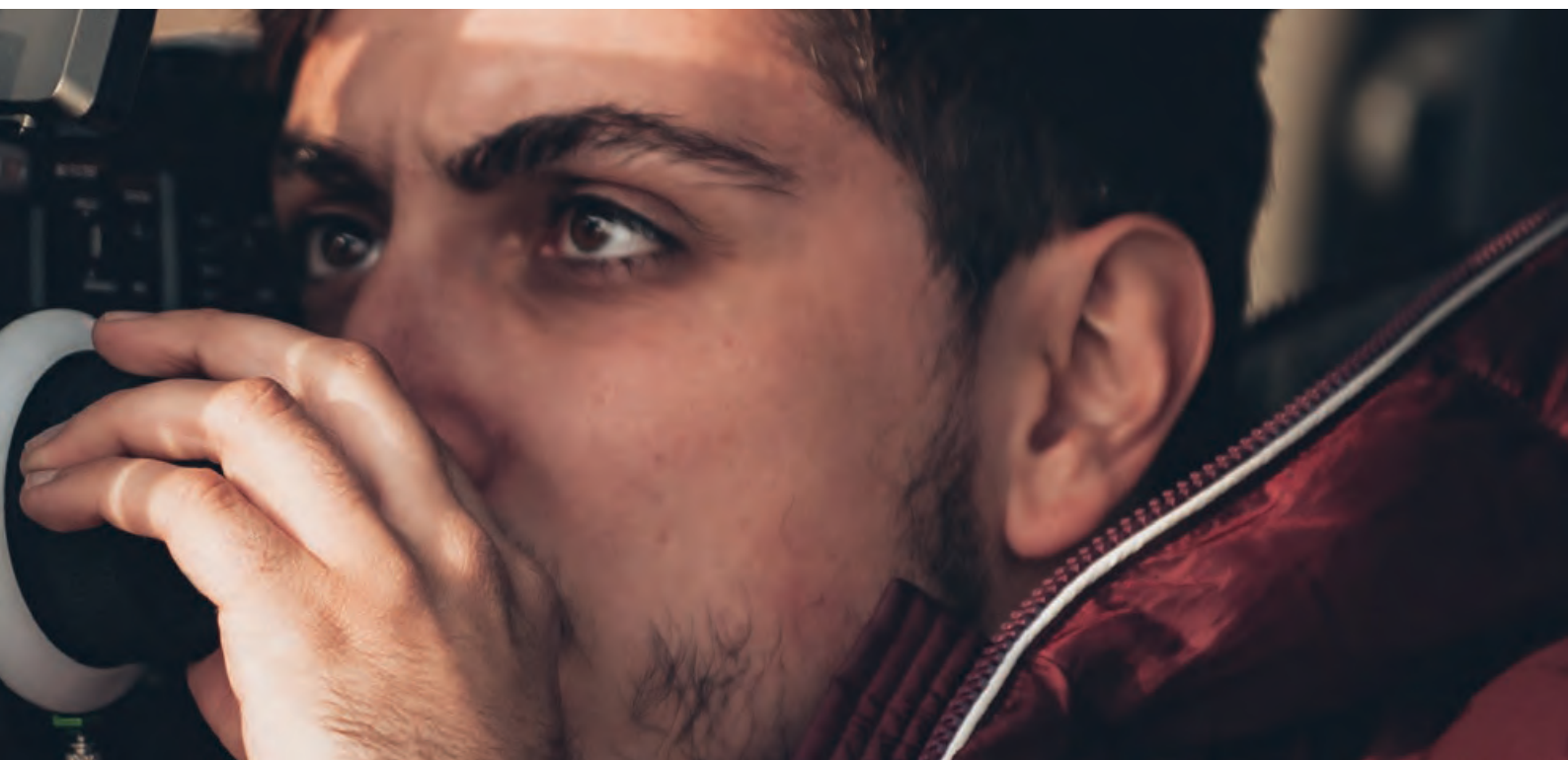
Evaluate the opportunity and conduct primary research on market need.



Review case studies and analogs of similar propositions.



Identify production partners to develop new Islamic-themed content.



Acknowledgements

Produced by

DinarStandard

DinarStandard™ is a growth strategy and execution management firm, empowering organizations for profitable and responsible global impact. DinarStandard specializes in the global halal/ethical economy, government innovation, and social impact space. Since 2008, DinarStandard has supported over 30 government entities, investment institutions, industry leaders, and multi-laterals from over 12 countries worldwide. Its unique value-proposition is rooted in delivering original facts and foresight-driven client impact grounded in excellence and ethics.

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Launched in October 2015, Salaam Gateway (SG) is the world's leading news and insights platform on the global Islamic economy. It covers sectors across Islamic finance, halal, and Islamic lifestyle, with an eye on key producer and consumer markets. It is for professionals, business owners, decision-makers, and policy-makers who operate in fast-changing socio-economic environments and want reliable and accurate news, insights, data, and intelligence to inform their next moves.

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REPORT TEAM

Report Strategic Advisor	Rafi-uddin Shikoh CEO & Managing Director, DinarStandard
Report Author, Halal Food, and Lead Analyst	Haroon Latif Director, Strategic Insights, DinarStandard
Report Coordinator, and Travel Analyst	Reem El-Shafaki Senior Associate, DinarStandard
Islamic Finance Analyst	Alfatih Gessan P Aryasantana Senior Associate, DinarStandard
Islamic Finance Data	Refinitiv Islamic Finance Team
Halal Lifestyle Analysts	Alicia Buller Senior Associate, DinarStandard Yakup Kocaman Senior Associate, DinarStandard Shariq Faraz Associate, DinarStandard
Halal Pharmaceuticals and Cosmetics Analyst	Paul Cochrane Senior Associate, DinarStandard
Research Analyst	Badar Farooq Associate, DinarStandard
Report Editors	Paul Cochrane Senior Associate, DinarStandard
Report Designer	Zileej Studio

We would also like to thank all the Industry experts interviewed for this Report, as referenced in the Methodology section.



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Report Purpose and Methodology

REPORT CONTEXT, PURPOSE AND OBJECTIVES

Context

The 2019-20 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 57 OIC (Organization of Islamic Cooperation) countries of the world represent close to 10 per cent of global GDP.⁶⁸ Furthermore, Muslims in total represent a 1.8 billion population, growing at a faster pace than the overall global population and containing some of the fastest-growing global economies.

The influence of the Islamic economy stretches beyond OIC countries as more than 500 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 with 26 individuals conducted as well.

SECONDARY RESEARCH AND PROPRIETARY FRAMEWORKS

A range of sources has 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.

INTERVIEWS AND FOCUS GROUP DISCUSSIONS

Halal Food	Syed Ali, CEO, Riz Global Foods Tomas Guerrero Blanco, Director, Instituto Halal Abid Masood, Halal Auditor, Halal Food Council of Europe
Islamic Finance	Dr. Ronald Rulindo, Director of Innovation, Financial Market Deepening, and Infrastructure Development, Indonesian Islamic Finance Committee Dr. Omar Fahad, Founding Partner & Consultant, Qutoof Consultancy WLL Bahrain Mr. Kamal Abdelkareem Hassan, Treasury & Syndication, Kuwait Finance House Bahrain Dr. Ahmad Asad, Principal Lecturer, Bahrain Institute of Banking and Finance
Travel	Mohammed M.S Binmahfouz, Founder and CEO of Umrah business at holidayme Ufuk Secgin, Chief Marketing Officer, HalalBooking.com Ihsan Ovut, Secretary General, The Standards and Metrology Institute for Islamic Countries (SMIIC) Muhammad Chbib, Founder, multiple travel startups Nabeel Shariff, Director, Serendipity Tailormade
Fashion	Alia Khan, founder, IDFC Franka Soiera, founder, Think Fashion Yasmin Sobeih, Under Rapt
Media and Recreation	Maruf Yusupov, CEO, Ali Huda Micheal Milo, CEO, Muslim Kids TV
Pharmaceuticals	Dr James Noh, Director-General of the Korea Institute of Halal Industry Wan Amir-Jeffrey Wan Abdul Majid, chief operating officer Duopharma Biotech Berhad (Malaysia) Rozi Osman, Halal pharmaceutical specialist (Malaysia), and former General Manager, Group Halal and Government Relations at CCM Berhad
Cosmetics	Dr James Noh, Director-General of the Korea Institute of Halal Industry Kseniia Galenytska, Consultant - Beauty & Fashion, Euromonitor International Ruia Ahmadzada, CEO and Founder of NARI Skincare, New York Anonymous source, L'Oreal

(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.

FIGURE: UNIVERSE MARKET SIZING METHODOLOGY OVERVIEW

KEY STEPS IN CALCULATION (SUMMARY)		KEY EXTERNAL SOURCES
1. Global lifestyle spend by sector (excl. Finance), \$B		
X	COMPRISES: - Food & Beverage - Footwear & Clothing - Pharma & Cosmetics - Media & Recreation By country	National databases: International Comparison Programs, UN World Trade Organization, World Bank, DS analysis and estimations
2. Muslim multiplier		
=	BASED BROADLY ON - Muslim % of total population - Relative income levels - Average family size By country	Census data: DS analysis and estimations
Total Muslim Lifestyle spend market size, \$B		

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 markets⁶⁹ and 100 per cent Muslim demographic penetration.⁷⁰

TABLE: METRICS USED TO CALCULATE MUSLIM SPEND ON INDIVIDUAL SECTORS:

Muslim market	Global spend metric, by country	Sources used
Muslim spend on food and beverage	Spend on food and non-alcoholic beverages	Baselined from latest International Comparison Program values (2011), adjusted to more recent values from national statistics agencies and GDP evolution
Muslim spend on apparel and footwear	Spend on clothing and footwear	
Muslim spend on media and recreation	Spend on culture and recreation	
Muslim travel spend	Spend on outbound travel	2018 UNWTO (World Tourism Organization) and World Bank data; World Travel and Tourism Council
Muslim spend on pharmaceutical and personal care products	Spend on pharmaceuticals and cosmetics	National statistics agencies, industry associations

Global Muslim market estimates are applied based on DinarStandard's Muslim population estimates per country that are adjusted for income disparities. Projections were determined primarily by regressing historical annual growth of the relevant industry metrics on GDP growth for each country, in many cases showing high correlation, but compared to external estimates by national statistics agencies and global industry forecasts to triangulate historic and projected growth.

69. OIC countries.

70. Based on DinarStandard analysis. Note that Global assets data is from 72 countries representing over 85 per cent of the global GDP.

(3) Investment research

An extensive list of investments made in the Islamic Economy was developed across Halal Food, Islamic Finance and Islamic Lifestyle, based on a download of extensive, comprehensive data from Zephyr in August 2019, supplemented by an additional scan of subsequent transactions identified by Salaam Gateway and other news publications.

For the purposes of this report, Halal includes any specific transactions where the target was either engaged in the production of Halal products, or the target was any food company based in OIC markets that was involved in the production, distribution of processed food products that would require some form of Halal assurance, including but not limited to formal Halal certification.

Comparisons were undertaken between 2018/19, and 2017/18, with the current year involved all deals reported since July 2018, while the prior year reflected all relevant deals between July 2017 and 2018, with careful efforts to avoid the same deal being included in both reporting periods.

The scope of comparison has altered from the prior year report and the current year. Previous year investment figures reflected the aggregate private investments from 2015 to the reporting date in 2018 inclusive of all sectors with the exception of Islamic Finance (only fintech investments were included). The current year figures reflect all private and corporate-led investments in the current period, across all relevant sectors. Adjusted like-for-like comparisons were included in the investments section to enable comparison across years.

Global Islamic Economy Indicator Methodology

The global Islamic economy sectors operate within a business and financial environment that demands they 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.

Middle East

- Bahrain
- Iran
- Iraq
- Jordan
- Kuwait
- Lebanon
- Oman
- Palestine
- Qatar
- Saudi Arabia
- Syria
- United Arab Emirates
- Yemen

Asia-Pacific

- Australia
- Brunei
- Darussalam
- China
- Indonesia
- Malaysia
- Singapore
- Thailand

Asia

- Afghanistan
- Azerbaijan
- Bangladesh
- India
- Kazakhstan
- Kyrgyzstan
- Maldives
- Pakistan
- Russia
- Sri Lanka
- Tajikistan
- Turkmenistan
- Uzbekistan

Americas

- Canada
- Brazil
- Guyana
- United States

Europe

- Albania
- France
- Germany
- Italy
- Switzerland
- United Kingdom
- Turkey

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