

2022

State of the Global Islamic Economy Report

UNLOCKING OPPORTUNITY

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



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Executive Summary

The world is still reeling from the impact of the COVID-19 pandemic, which made 2020 such an unprecedented and unpredictable year. While a 'new normal' started to emerge in 2021, following the mass roll-out of COVID-19 vaccinations, particularly in more developed economies, the ramifications of the pandemic will be felt for years to come. This ninth edition of the State of the Global Islamic Economy Report covers developments from the middle of the pandemic in 2020 until third quarter of 2021

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his year's report estimates that the world's 1.9 billion Muslims spent the equivalent of **US\$2 trillion** in 2021 across the food, pharmaceutical, cosmetics, fashion, travel, and media/recreation sectors, all of which are

impacted by Islamic faith-inspired ethical consumption needs. This spending reflects an **8.9%** year-on-year growth from 2020, with Islamic finance assets estimated to have grown to **US\$3.6 trillion** in 2021, up **7.8%**, from **US\$3.4 trillion** in 2020.

Despite the continued uncertainty related to the pandemic, global Muslim spending in 2022 is forecasted to grow by **9.1%** for the Islamic economy sectors covered in this report, excluding the Islamic finance sector. All of these sectors, except travel, have returned to pre-pandemic spend levels by the end of 2021. Muslim spend is forecasted to reach **US\$2.8 trillion** by **2025** at a 4-year Cumulative Annual Growth Rate (CAGR) of **7.5%**.

While the pandemic pulled the proverbial rug from beneath the feet of many businesses, causing major disruptions to operations, the past year nonetheless saw many notable developments in the Islamic economy, which include further acceleration of digitalization, heightened intra-OIC trade deals, and increased government focus on food security and healthcare. The global Islamic economy continues to be underpinned by several key drivers, including a large and growing Muslim population, an increasing urge to adhere to Islamic ethical values relating to consumption, and a growing number of national strategies dedicated to halal product and service development.

Many of the 81 countries covered in this year's updated Global Islamic Economy Indicator continue to develop more robust Islamic economy ecosystems. The top 4 positions remain unchanged from last year, with **Malaysia** retaining

the top spot for the 9th consecutive year. Malaysia is followed by **Saudi Arabia, the UAE, and Indonesia**. New entrants to the top 15 include the **UK** and **Kazakhstan**. Turkey and Singapore moved up 7 and 8 positions to reach the 5th and 7th positions, respectively. Nigeria and Sri Lanka have dropped out of the top 15. After eight years, the Indicator saw its first update to its methodology, adding technology enablement to the mix of criteria and adjusting the weightage to reflect heavier on halal industries compared to Islamic finance. This has been one reason for some shifts in country rankings.

The Islamic economy has moved up the agenda in several countries and is considered a core part of economic recovery policies from the pandemic. This has followed national Islamic economy policies implemented before the arrival of the pandemic, most notably Indonesia's mandatory halal law. Saudi Arabia, the UAE, Malaysia, and Nigeria have all put their weight behind bolstering the Islamic economy, especially in halal food, Islamic finance, and fintech. In the Islamic finance sector, Pakistan, Qatar, and Kuwait announced plans for new centralized regulations to enhance the governance aspect.

Disruptions to supply chains caused by the pandemic, coupled with climatic changes resulting in excessive flooding and heatwaves, have had an adverse economic impact on the import-dependent 57-member Organization of Islamic Cooperation (OIC) countries. However, the disruption also provided opportunities for localization and 'near shoring' to source products closer to home, positively impacting pharmaceuticals, clothing, and cosmetics production.

Food security has become a top priority, prompting public and private initiatives to bolster farming, increase agricultural production and food processing, from investments in 'smart farms' in the UAE to Nigeria launching Africa's first agricultural electronic center to develop climate-smart farming.

The Social Impact section continues to highlight the initiatives and strategies undertaken by businesses and organizations to address the United Nations (UN) Sustainable Development Goals (SDGs) for 2030. Numerous initiatives have been implemented; notably, Abu Dhabi's US\$15 million XPRIZE Feed the Next Billion, the Islamic Development Bank (IsDB) issuing a US\$2.5 billion sustainability sukuk, and Malaysia issuing the world's first sovereign US dollar-denominated Islamic finance sustainability-related commercial notes.

Investments in the Islamic economy rebounded in 2021 following a dip in the spread of COVID-19 globally, which had flared up in 2020. This year's report tracks mergers & acquisitions (M&A), private equity, and venture capital transactions across the Islamic economy markets.

Investments in the Islamic economic sectors across OIC and select non-OIC markets grew by 118% to **US\$25.7 billion** in 2020/21 from **US\$11.8 billion** in 2019/20. **The UAE, Indonesia, and Malaysia** saw the highest number of investments, with **the UAE** securing **16%** of all deals recorded. In terms of sectors, halal food and Islamic finance comprised **15.5%** and **66.4%** of the total deal value, respectively.

The importance of food security has been greatly underlined due to the pandemic. Countries have doubled down on food security policies, including the development of, and trade in, **halal food**. The OIC is squarely behind such developments, with the Islamic Organization for Food Security (IOFS) implementing 16 food security programs, including establishing the Islamic Food Processing Association, a Grain Fund, and a Food Security Reserve. There have been significant mergers and acquisitions among halal food players, while digitalization has expanded across the value chain, from farm to fork. Food tech has garnered particular attention towards improving the production, traceability of agri-produce, and logistics. **Muslim spend on food increased by 6.9% in 2021, from US\$1.19 trillion to US\$1.27 trillion, and is expected to grow by 7.0% in 2022 and reach US\$1.67 trillion in 2025 at a 4-year CAGR of 7.1%.**

The **Islamic finance** sector strongly rebounded in the first half of 2021 after a tough year during the height of the pandemic. Profitability has returned to the Islamic banking sector, and there have been big mergers, notably in Indonesia. There has been an upswing in Islamic fintech, with 241 companies currently in the market. This sector is forecasted to rise from around US\$49 billion in 2020 to US\$128 billion by 2025 (based on estimated transaction volumes). Seemingly against all odds, it has been a landmark year for Islamic finance. The Middle East and North Africa (MENA) based startups raised over US\$1 billion in venture capital funding in 2020, while in the first half of 2021, global sukuk issuances reached a record high of US\$100 billion and are set to smash further records by the year-end. **Islamic finance assets were valued at US\$3.6 trillion in 2021 and are expected to grow by 8.0% in 2022 and reach US\$4.9 trillion in 2025 at a 4-year CAGR of 7.9%.**

The pandemic ravaged the global **travel and tourism** industry, with a 70% drop and 1 billion fewer travelers in 2020. While events postponed in 2020 were held a year later, particularly sporting events, such as the Tokyo Olympics, were subdued tournaments, with no spectators allowed.

This caused a heavy hit to the Islamic economy, the halal food sector in particular, as halal restaurants had banked on millions of tourists, including from Muslim countries. In addition, hajj and umrah were drastically subdued in 2020 as they were predominantly limited to locals and underwent heavy regulation in 2020. Government intervention has kept many tourism businesses afloat as international travel has remained muted, but investment nonetheless continued with the expectation of a rebound in the years ahead. Dubai notably made a bold decision to continue with the EXPO 2020 Dubai, hosted in 2021, while Saudi Arabia continued investing in tourism, as it diversifies its economy as part of the Vision 2030 strategy. **Muslim spend on tourism increased from US\$58 billion to US\$102 billion in 2021 and is expected to grow by 50.0% in 2022 to US\$154 billion and reach US\$189 billion in 2025 at a 4-year CAGR of 16.5%.**

Modest fashion has, like the rest of the fashion industry, had a difficult year, with foot traffic at retail outlets down due to pandemic restrictions. The pivot towards eCommerce and omnichannel marketing has, however, helped to salvage sales. Virtual events have proven to be particularly successful, with Turkish modest fashion giant Modanisa launching a new platform in Malaysia with a virtual fashion show and modest fashion luxury brand Elle B Zhou using a 3D virtual version of a Saudi model for its launch. Mainstream fashion brands have continued to launch their own lines of modest fashion, often through collaborations. **Muslim spend on fashion increased by 5.7% in 2021, from US\$279 billion to US\$295 billion, and is expected to grow by 6.0% in 2022 to US\$313 billion and reach US\$375 billion in 2025 at a 4-year CAGR of 6.1%.**

The pandemic has loomed large over the **halal pharmaceutical** sector, with the world's attention focused on the roll-out of COVID-19 vaccinations. While a halal-certified vaccine is not in sight, the pressure to improve self-sufficiency in pharmaceuticals by OIC developing countries will encourage the development of locally produced active pharmaceutical ingredients (APIs) and medicines, including halal-certified ones. This is sorely needed in OIC countries. The pandemic has driven innovation in the halal segment, with a halal-certified COVID-19 detection kit developed in the UK, and a halal-certified face mask in Singapore, as preventative care has continued to be a key driver of sales of halal-certified nutraceuticals. Digital healthcare is attracting considerable attention in many OIC countries to bolster national healthcare strategies and enhance patient access to healthcare. **Muslim spend on pharmaceuticals increased by 6.5% in 2021, from US\$93.5 billion to US\$100 billion, and is expected to grow by a further 6.7% in 2022 to US\$106 billion and reach US\$129 billion in 2025 at a 4-year CAGR of 6.7%.**

The **halal cosmetics** sector has held up well amid challenging operating conditions. New brands have been launched while more established players have expanded their product portfolios, with Indonesia's Wardah venturing into the men's cosmetics space through its Kahf line. Driven by Indonesia and Malaysia, East Asia has solidified its position as the epicenter of halal cosmetics, with sales growing faster than any other regional market. South Korean firms, too, continue to get halal certification for their products with

an aim to lure Muslim buyers of cosmetics. Halal cosmetics sales are also growing in the GCC markets, with brands like Shade M Beauty reaching more customers through tie-ups with eCommerce platforms and retail outlets. Growing consumer demand for inclusivity and diversity in cosmetics is proving to be a boon for halal cosmetics players. **Muslim spend on cosmetics increased by 6.8% in 2021, from US\$65 billion to US\$70 billion, and is expected to grow by a further 7.2% in 2022 to US\$75 billion and reach US\$93 billion in 2025 at a 4-year CAGR of 7.4%.**

The **media sector** had a captive audience in the first year of the pandemic and now strives to retain viewership as 'stay-at-home' policies ease worldwide. Mainstream media outlets have continued to diversify their content production, while Gulf-based media companies have expanded their wings, particularly into North American markets. New apps have been launched, while Non-Fungible Tokens (NFTs) are taking off as a way to buy digital art via cryptocurrencies, with the UAE having its first NFT digital Islamic art agency. Islamic-themed children's content has been particularly popular, with Malaysian show Omar & Hana reaching over 3 billion views on its YouTube channels. Canadian streaming platform Muslim Kids TV was launched in Indonesia and Pakistan. The mobile gaming industry has been a particular growth area, with the Middle East emerging as the fastest growing mobile gaming market globally. **Muslim spend on media increased by 7.2% in 2021, from US\$216 billion to US\$231 billion, and is expected to grow by a further 7.5% in 2022 to US\$249 billion and reach US\$308 billion in 2025 at a 4-year CAGR of 7.5%.**

This edition of the report includes a global halal economy leaders' sentiment roundtable, which sheds light on the industry's outlook and confidence, as well as on current challenges and needs. In addition, the perspective of Gen Zs and Millennials as consumers of products and services across the sectors of the Islamic economy was captured through an online focus group discussion. Their perspectives will help industry players evaluate the needs of this growing, crucial demographic.

As the world adapts to the 'new normal' brought on by the pandemic, the recovery will have to address the planet's other challenges, including social inequality and climate change. The Islamic economy is playing its part in creating a more equitable world, yet it has the potential to do more towards creating a better future not only for Muslims but also for the entirety of humanity. This report highlights the latest developments in the Islamic economy and provides indicators of opportunity for governments, businesses, and investors to steer a clearer course in a turbulent world.



RAYMOND KLAVIN/UNSPLASH



The Global Islamic Economy

KEY

2021

2025

2021-25 CAGR Growth %

ALL FIGURES IN US DOLLARS BILLIONS, IF OTHERWISE STATED

Represented by **\$2 trillion** of consumer spending by **1.9 billion Muslims** across six real-economy sectors (2021 est.)

plus

\$3.6 trillion of Islamic Finance Assets (2021 est.)

7.8% year on year growth (2020-21)

\$4,922

\$3,637

7.9%

ISLAMIC FINANCE
(ASSETS)

*All estimates by DinarStandard Research & Advisory except for Islamic Finance sector provided by Refinitiv Islamic Finance Development Indicator 2021 data. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Halal and related product exports are based on ITC Trademap 2020 data. Projections are baselined on data from IMF Outlook from April 2021. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology.
OIC Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.

\$1,668

\$1,267

7.1%

HALAL FOOD

\$93

\$70

COSMETICS

7.4%

\$375

\$295

MODEST FASHION

6.1%

\$189

\$102

TRAVEL

16.5%

\$308

\$231

MEDIA & RECREATION

7.5%

\$129

\$100

PHARMA

6.7%

Projected CAGR growth of 7.5% 2021-25 to **\$2.8 trillion** by 2025



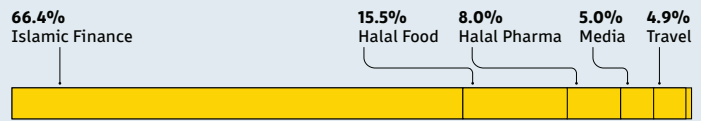
Investments

Investments in the Islamic economy reached \$25.7 billion in 2020/2021*, at 118% YOY growth

Countries with more than 20 investment transactions in 2020/21*

- UAE
- Indonesia
- Malaysia
- Saudi Arabia
- Egypt
- Turkey

SHARE BY SECTOR



Trade Opportunity

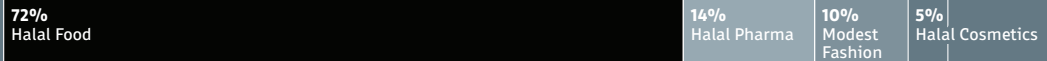
OIC imports reached are set to grow at 3.8% CAGR in 5 years, reaching \$336 billion in 2025

- Top 5 OIC Importers
- Top 5 Exporters to OIC



\$279 billion
OIC imports in 2020

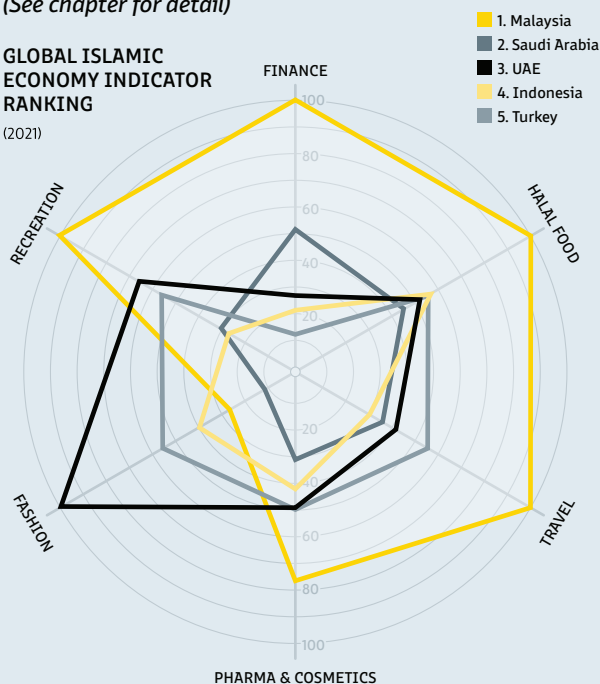
SHARE BY SECTOR



Government Benchmarks

A comprehensive index of 81 countries in the Islamic economy ecosystem relative to their size.
(See chapter for detail)

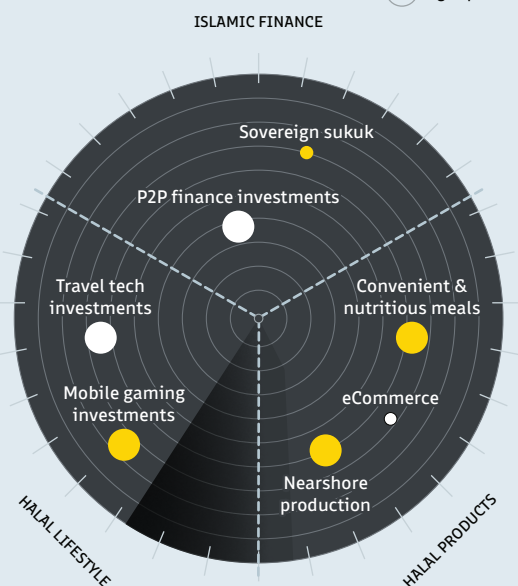
GLOBAL ISLAMIC ECONOMY INDICATOR RANKING (2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact



Introducing the Islamic Economy and Drivers of Opportunity

The Islamic Economy

DEFINITION

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he Islamic economy is anchored around the Islamic faith-inspired ethical needs of Muslims. These are the principles and values adopted by them as a “way of life”. While they may be culturally diverse or geographically

distributed, Muslim consumers globally drive a cohesive **US\$2 trillion** opportunity across a range of lifestyle products and services, while Islamic finance assets amount to a US\$3.6 trillion opportunity, collectively known as the “Islamic economy”.

Since its launch in 2013, this annual report series has conveyed the status of the overall Islamic economy, comprised of various sectors offering varied products and services that are structurally influenced by Islamic ethics and law.

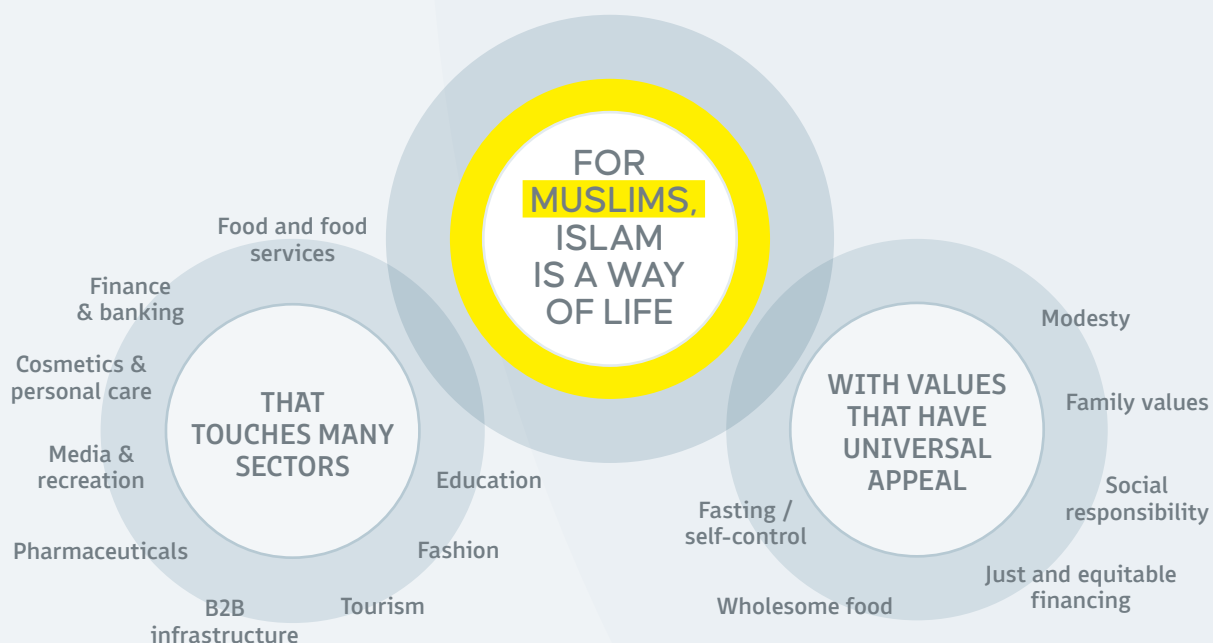
Under Islamic law, there is a certain way to slaughter permitted animals, termed ‘*halal*’ or permissible. Also, a few items are not allowed for consumption, such as pork and its by-products, alcohol, and any other intoxicating items.

These are classified as ‘*haram*’ or impermissible.

Halal products are further defined as meat and non-meat food items as well as non-food items such as pharmaceuticals and cosmetics. Moreover, the Islamic lifestyle includes modest fashion and Islamic art (mainly calligraphy), whereas halal tourism is comprised of resorts and hotels where pork and alcohol are not served and where there are separate gyms and swimming pools for men and women.

Islamic finance is a major component of the Islamic economy and includes Islamic banking, Islamic capital markets and asset management, in addition to Islamic insurance and trust (waqf).

The principles on which the sectors of the Islamic economy are based are derived from the Qu’ran (the Muslim holy book comprising the word of God) and the Sunnah (the sayings and the traditions of the Prophet Muhammad (peace be upon him)). The following section sheds light on the impact of Islamic law and ethics on the core sectors of the Islamic economy.



HALAL PRODUCTS



PHOTOS: PEXELS

HALAL FOOD, PHARMACEUTICALS AND COSMETICS

Islamic law is clear about what food items are haram or forbidden, such as pork and intoxicants, and what is halal or permissible. The rules related to food are also relevant to pharmaceuticals and cosmetics, requiring the use of halal ingredients, especially in the case of ingested products. Muslim-majority countries have laws in place that specify which ingredients are considered halal and may require certain locally produced or imported products to be halal certified.

ETHICAL & SOCIAL FINANCE



ISLAMIC FINANCE

Several guidelines are provided in the Qu'ran and Sunnah to ensure just and fair business dealing and transactions without the involvement of interest and usury (riba). Key injunctions relating to business dealings include the subject matter of the transaction to be halal, the quantity, quality, delivery time, and payment terms are clearly defined, and the contract is unambiguous and according to clearly defined Islamic principles.

HALAL LIFESTYLE



MODEST FASHION

With respect to clothing and fashion, both the Qu'ran and Sunnah emphasize preserving modesty. This is reflected in many common elements of Muslim dress, such as wearing longer-length garments with more body coverage, non-transparent fabrics, and looser fits. Even with the diverse interpretations of 'modesty' among Muslims worldwide, these remain some of the defining aspects which qualify a garment as 'modest'. Sustainable and ethical practices in production and using halal materials are also gaining increasing importance among Muslim countries.

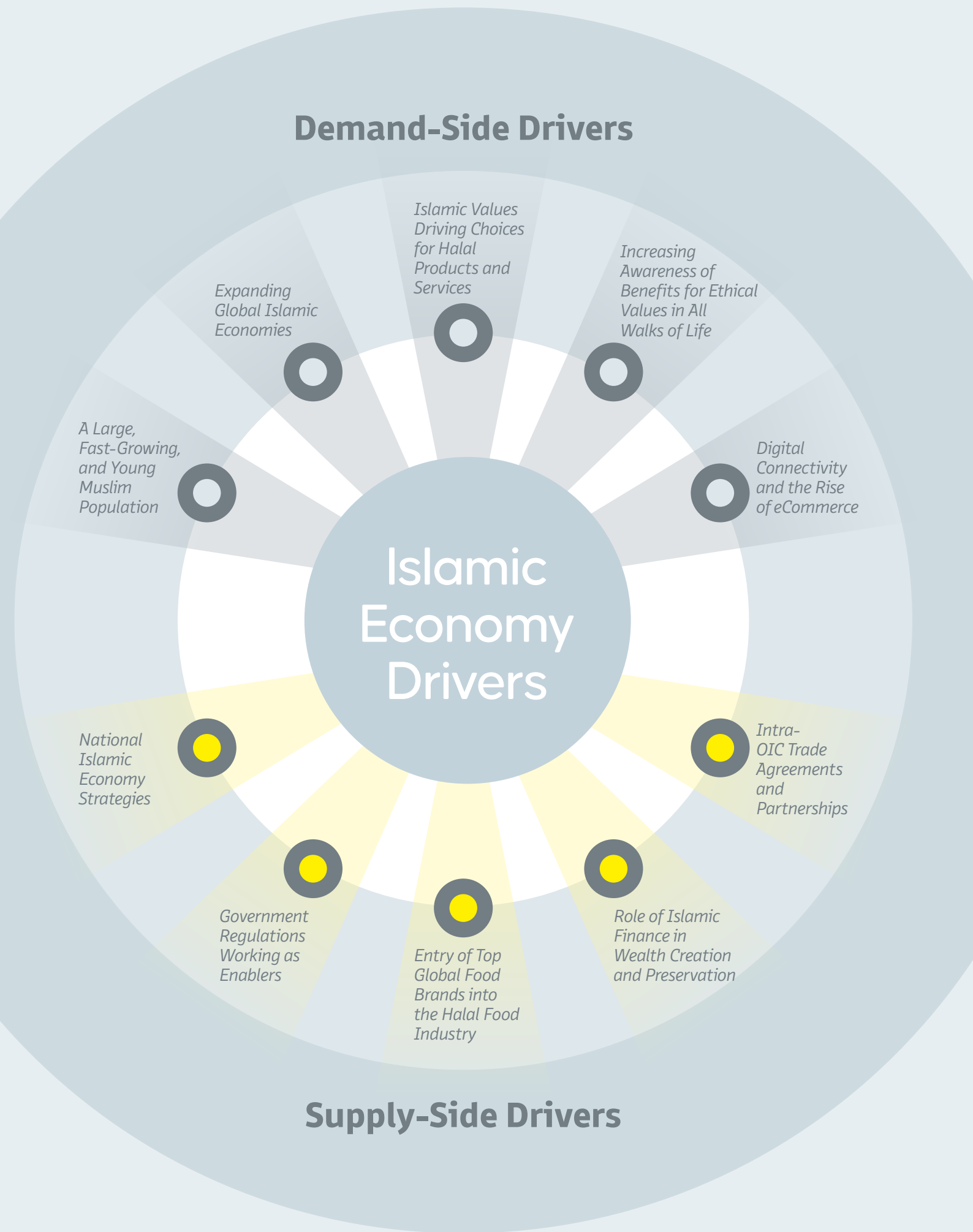
Many Islamic values, from those focusing on just and equitable business practices to encouraging charitable endeavors and social responsibility, resonate with the ethical and moral values shared by people around the world, transcending religious and cultural boundaries. Several mainstream banks have adopted Islamic financial services and instruments in non-majority Muslim markets



MUSLIM-FRIENDLY TRAVEL AND ISLAMIC-THEMED MEDIA AND RECREATION

Another essential value imparted in both the Qu'ran and Sunnah is spending time constructively and positively while avoiding unlawful activities such as gambling and drinking alcohol. These values affect influence Muslims' choice of entertainment and recreational activities, including travel and tourism.

and have attracted non-Muslim clientele. Similarly, tourist establishments that have applied halal tourism guidelines have managed to attract non-Muslim travelers, too, seeking a family-friendly environment. Moreover, halal food is recognized by a growing number of non-Muslims as not less important than organic food.



Demand-Side Drivers

1. A LARGE, FAST-GROWING, AND YOUNG MUSLIM POPULATION

The Muslim demographic is one of the strongest demand drivers of the Islamic economy. Estimated to have reached 1.9 billion in 2020, it covers almost 25% of the global population. Muslims are growing twice as fast as the non-Muslim population, and this trend is expected to remain the same over the next decade. Muslims are projected to grow up to 2 billion in number by 2030 and 3 billion by 2060, covering

around 30% of the global population.

Amongst the global youth, Muslims are in the majority in all major religious groups.¹ The youth and young adults (ages 15-29) covered 27.3% of the Muslim population in 2020, which is anticipated to rise to 30% of the world's young population by 2030.²

2. EXPANDING GLOBAL ISLAMIC ECONOMIES

Despite the pandemic-related slugging of global economic growth, OIC countries are projected to grow faster than the rest of the world's GDP growth. Based on the latest IMF GDP, current price projections (April 2021), the compounded annual growth rate (CAGR) of the OIC economy is expected to be 7% between 2020-2026 compared to the global average of 6.4% within that period. Most of the OIC countries are

also growing faster than IMF's emerging market developing economies and advanced economies.

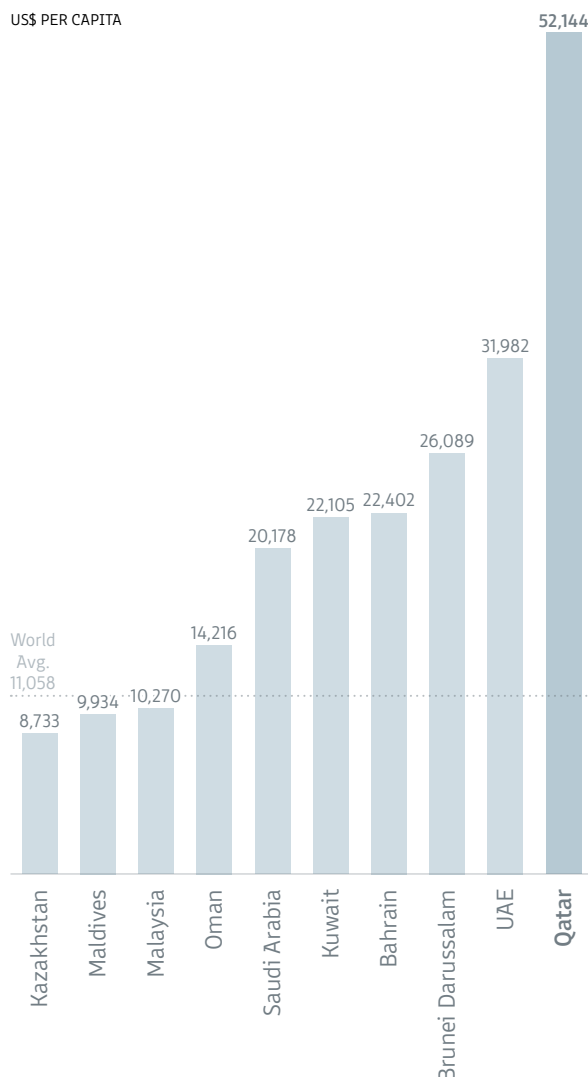
Global Muslims' increasing affluence is also evident through the GDP per capita, which is also greater than the global average for some OIC countries – all of the 6 GCC countries as well as Brunei Darussalam.

GDP growth (CAGR % 2020-2026)

Nigeria	14.4%
Guyana	13.9%
Maldives	12.4%
Niger	11.9%
Senegal	10.9%
Turkmenistan	10.2%
Uzbekistan	10.0%
Turkey	9.8%
Benin	9.7%
Bangladesh	9.3%
Togo	9.3%
Côte d'Ivoire	9.3%
Yemen	9.3%
Burkina Faso	9.2%
Guinea-Bissau	9.2%
Malaysia	8.9%
Egypt	8.9%
Gambia, The	8.8%
Mozambique	8.6%
Mali	8.5%
Emerging market and developing economies	7.9%
OIC	7.0%
World	6.4%
Advanced economies	5.3%

GDP per capita, current prices (2020)

US\$ PER CAPITA





MICHAEL BURROWS/PEXELS

3. ISLAMIC VALUES DRIVING CHOICES FOR HALAL PRODUCTS AND SERVICES

Given the increasing sense of adherence to religion, demand and spend on halal products and services from Muslim consumers have been increasing steadily, as evident in this report's findings. Globally, more people favor an increased role for religion in their countries than 20 years ago. Among the highest percentages that were in favor of a more important role for religion were Muslim-majority countries:

Indonesia (85%) and Muslims in Nigeria (88%).³ As per the latest available study by Pew Research Center, 70-90% of Muslims in Asia-Pacific and MENA regions rate religion as "very important".⁴ Significant to note is that many of the Islamic values have universal appeal, i.e., beyond the Muslim world. Thus, it has been seen that many halal products and services are also utilized by non-Muslim customers.

4. DIGITAL CONNECTIVITY AND THE RISE OF ECOMMERCE

Many OIC countries from the MENA and South-East Asia regions had a higher internet penetration in 2020 than the global average of 59%, whereas the GCC countries had almost 99% internet penetration. The African region witnessed a nearly 21% increase in internet users (the highest global growth) than pre-COVID-19 years.⁵

Digital connectivity is playing a crucial role in enabling domestic and cross-border eCommerce and m-commerce.

Indonesia, Malaysia, and Saudi Arabia are some of the OIC countries that had the highest global eCommerce and m-commerce adoption, above the global average of 76.8% and 55.4%, respectively (December 2020).⁶ Such trends are witnessed across several Muslim-majority countries and are expected to keep growing in the post-COVID era, continuing to fuel the growth of online businesses.

5. GROWTH OF ETHICAL CONSUMPTION

Many of the values underpinning the Islamic economy sectors are universal and appeal to consumers concerned about consumption ethics, health, and the environment. Several global studies show that consumers are increasingly shifting towards cruelty-free, organic, natural, and vegan-certified products, having a proportionate positive impact on demand for halal-certified products given the shared principles. The demand for ethical and organic products has also heightened due to the COVID-19 pandemic.

A study by IBM shows six in 10 consumers are willing to change their shopping habits to reduce environmental impact. Over 70% of those who believe the environment is very important would pay a premium of up to 35% for brands that are sustainable and environmentally responsible. With the rise of ethical consumerism, many halal brands have attracted both Muslim and non-Muslim consumers, such as Saffron Road, Iba Cosmetics, and multinationals, such as Unilever and L'Oreal, that are now offering halal products.

Supply-Side Drivers

1. GOVERNMENT REGULATIONS WORKING AS ENABLERS

The governments of OIC countries are increasingly scrutinizing the integrity of products imported into the block through halal certification requirements. In many Islamic countries, designated national bodies, such as the UAE's ESMA and EIAC, Saudi Arabia's SFDA, OIC's SMIIC, and Malaysia's JAKIM, monitor the industry and provide accreditation to halal certification bodies. Government involvement has raised awareness of specific requirements related to halal products and has led to increased compliance by the manufacturers, leading to the growth of various sectors of the

Islamic economy. Select regulatory developments within the region include:

- The OIC's Standards and Metrology Institute for the Islamic Countries (SMIIC) introduced an international halal supply chain management system standard.
- Indonesia's halal product law has made certification of halal products mandatory.
- New regulations on medicines and medical devices in the UAE and Indonesia.

2 NATIONAL ISLAMIC ECONOMY STRATEGIES

Searching for new economic growth areas, many countries, both Muslim-majority and otherwise, are now increasingly focusing on the Islamic economy for economic diversification.

For many oil-producing Muslim-majority countries, March 2020 marked the steepest one-month drop in oil prices on record, while the pandemic caused a further collapse in demand.⁷ As a result, OIC countries such as Saudi Arabia, the UAE, Nigeria, Kazakhstan, Indonesia, and

Malaysia have increased their focus on the wider Islamic economy.

The OIC has been proactive, with the Islamic Organization for Food Security (IOFS) implementing 16 food security programs, including establishing the Islamic Food Processing Association, a Grain Fund, and a Food Security Reserve.

Most OIC governments provided various forms of stimulus packages to the tourism industry.

3. INTRA-OIC TRADE AGREEMENTS AND PARTNERSHIPS

Intra-OIC export flows in halal-related products⁸ had been improving since 2016, until the pandemic disrupted the flow. The intra-OIC exports saw a 22% drop since pre-COVID-19 in halal-related products (food, pharmaceuticals, cosmetics, fashion) from US\$70 billion in 2019 to US\$55 billion in 2020.

A positive impact of COVID-19, however, has been that the OIC member countries are increasingly realizing the importance of collaboration. Especially since the top non-OIC suppliers of halal-related products to OIC countries experienced disruption in supply chains in 2020. New

trade agreements and partnerships are expected to boost collaboration amongst Islamic countries. For instance, through bilateral agreements, more vaccines (including for COVID-19) are being produced in OIC countries than ever before, such as in Turkey, the UAE, Egypt, Pakistan, and Saudi Arabia.

Intra-OIC trade, too, continued to surge, enabled by higher availability of Islamic finance, thereby facilitating the expansion of the Islamic economy sectors.

4. ROLE OF ISLAMIC FINANCE IN WEALTH CREATION

Islamic finance is the key driver of the overall ecosystem. Capital continues to flow both across and into the OIC countries, from early-stage funding to sovereign wealth levels. Mergers and acquisitions, government grants, and public-private partnerships are some of the ways that helped private sector companies in the Islamic economy survive during the pandemic. In fact, the past year has been one

of the significant milestones for Islamic finance, with new benchmarks set. For instance, in the first half of 2021, global sukuk issuances reached a record high of US\$100 billion. Eco-friendly and sustainable sukuk is gaining more traction globally, backed by increased support from the Islamic Development Bank (IsDB) and commitment from the OIC member countries such as Indonesia.

5. PARTICIPATION OF TOP GLOBAL FOOD BRANDS

The growing Islamic economy space has attracted top global brands that are also creating innovative products and services across sectors. Multinational giants such as Nestlé, Cargill, and BRF in halal food, H&M in modest fashion, and

Daewoong in halal pharmaceuticals are producing halal-related products globally. The involvement of global brands in the Islamic economy underlines the growing consumer demand, which has been well noted by global multinationals.

COVID-19: IMPACT ON THE ISLAMIC ECONOMY

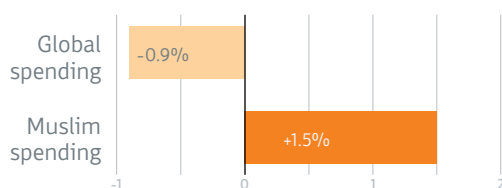
More than a year into the COVID-19 crisis, governments and industries have had unique experiences and key learnings. The pandemic impacted global economies in several ways. Some were able to strategize and rebound, while others suffered great losses as they waited for the pandemic to be over. Changing consumer behaviors and supply chain disruptions were some of the key drivers of the impact. This section summarizes the impact of the COVID-19 pandemic on the global Islamic economy sectors. It provides the impact on consumer spending, trade, production, and supply chains, and also some emerging solutions adopted by the OIC countries that are further elaborated in the following sections.

HALAL FOOD

IMPACT OF COVID-19

Impact on Consumer Spending

YOY% (2019-2020)



Impact on OIC Imports



IMPACT ON PRODUCTION AND SUPPLY CHAIN

- **Price volatility:** Panic buying and food stockpiling by consumers, and national trade-related policy responses to the pandemic, especially limitations on exports by countries, resulted in price spikes and increased price volatility, destabilizing the international markets.
- **Supply chain disruption:** Shortage of shipping containers along with pandemic restrictions on the market have led to a surge in raw material prices and concerns over food availability and food security.
- **Categories impacted:** High value, perishable commodities (such as meat, fish, milk, and flowers) and the Hotels-Resaurants-Café Industry (HORECA) industry were negatively impacted. Agriculture, ready-to-eat, ready-to-cook, frozen foods, and recipe boxes saw increasing demand.

EMERGING SOLUTIONS

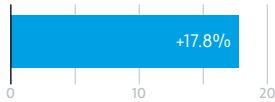
- Technology is also being harnessed for traceability and logistics, while the digitalization of food retailing and restaurants has been spurred on by the pandemic.
- OIC countries have decided to double down on food security strategies.
- Islamic organizations, governments, and halal bodies have socially supported Muslims during the pandemic. For instance, Indonesia's government is making available free distribution of halal food certification for micro and small enterprises (MSE) that have been hard hit by the economic slowdown caused by the COVID-19.

ISLAMIC FINANCE

IMPACT OF COVID-19

Impact on Value of Islamic Finance Assets

YOY% (2019-2020)



The Islamic finance industry made steady progress towards recovery from COVID-19's impact. Islamic finance assets witnessed a 17.8% growth in 2020 compared to the previous year. Islamic banks' profitability saw a dip at the beginning of 2020 but is now rebounding with the funding to corporate and the retail sector seeing an upturn, several major investments made by governments in developmental and infrastructural projects, an upswing in Islamic fintech, and the funding of OIC startups.

EMERGING SOLUTIONS

- Some countries are using sukuk to help finance their post-COVID-19 recoveries, notably in Indonesia, which was the largest sovereign sukuk issuer in 2020.⁹
- Social finance tools, such as zakat, waqf, and social sukuk, are helping the world reduce the economic brunt of the pandemic and rebound.

The Tokyo 2020 Summer Olympic Games were held without spectators

SHUTTERSTOCK

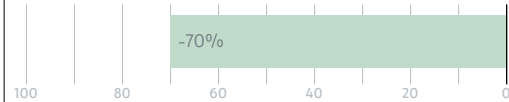


MUSLIM-FRIENDLY TRAVEL

IMPACT OF COVID-19

Impact on Number of Travelers

YOY% (2019-2020)



All the sectors on which tourism has important multiplier effects have been impacted, including agriculture and food provision. Flight cancellations and airport closures have resulted in more than 10 million civil aviation sector jobs being put on hold.¹⁰ The COVID-19 pandemic has also impacted large-scale national events, including the Expo 2020 Dubai and Olympics held without spectators. It is estimated that COVID-19 related cleaning protocols will cost hospitality US\$9 billion each year. And while tourism is set to rebound in many OIC countries, such as Saudi Arabia and the UAE, others are not expected to be so fortunate, adversely hit by political instability on top of the pandemic, such as in Lebanon and Tunisia.

EMERGING SOLUTIONS

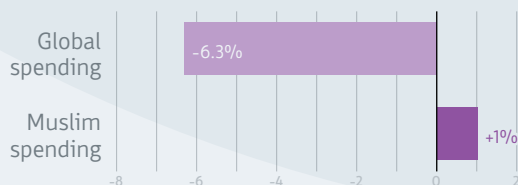
- Most governments globally, including the OIC countries, provided various forms of stimulus packages to the tourism industry.
- Travel businesses are diversifying their offerings to create new revenue streams. The emergence of travel technology, such as biometric and other touchless travel technology, addresses COVID-19-related issues in addition to consumers' increased demand for digitization.
- Emerging investments to support the hardest-hit businesses in the aviation and hospitality sectors.

MODEST FASHION

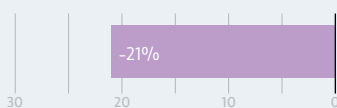
IMPACT OF COVID-19

Impact on Consumer Spending

YOY% (2019-2020)



Impact on OIC Imports



IMPACT ON PRODUCTION AND SUPPLY CHAIN

- Disrupted supply chains resulted in shortages of raw materials and inputs for garment and footwear producers, causing disruption to manufacturing across the world.
- Major brands have been forced to close stores in several countries owing to substantial drops in sales worldwide.
- Global stock markets reacted negatively to the crisis, fearing a potential global recession. Almost all major brands, including Adidas, Gap, H&M, and Inditex, have suffered dwindling stock prices over the past months.

EMERGING SOLUTIONS

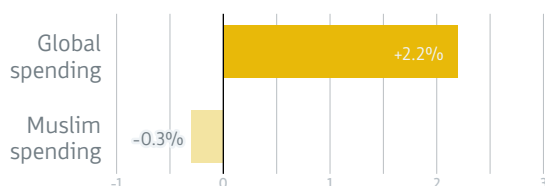
- COVID-19 accelerated digital transformation for the modest clothing industry, with eCommerce platforms for buyers' convenience and artificial intelligence for supply chain management.
- OIC countries continue to invest in the modest fashion sector to spur growth. COVID-19 led to hybrid versions of trade shows and programs for economic development.
- **With the changing consumer behavior during the pandemic, brands are focusing more on ethical and sustainable sourcing for production.**

HALAL PHARMACEUTICALS

IMPACT OF COVID-19

Impact on Consumer Spending

YOY% (2019-2020)



Impact on OIC Imports



IMPACT ON PRODUCTION AND SUPPLY CHAIN

- **Supply-chain disruption:** The COVID-19 pandemic has highlighted weaknesses in supply chains and over-reliance on imports, especially for Active Pharmaceutical Ingredients (APIs) – the central ingredient in drugs mainly sourced from China and India.
- **Lack of health workers:** The pandemic has underlined the shortcomings and inequalities present in healthcare provision. Almost all health systems are facing challenges in recruiting and retaining sufficient well-trained health workers. It is estimated that there will be a global shortfall of 18 million health workers by 2030, which will primarily affect low and lower-middle-income countries.¹¹

EMERGING SOLUTIONS

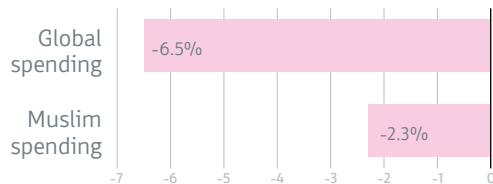
- Wealthier OIC countries have tried to fill the gap by donating millions of doses of the COVID-19 vaccines and providing other support to member OIC countries and others.
- COVID-19 has accelerated investments in pharmaceuticals and local vaccine manufacturing across several OIC countries, such as Morocco, the UAE, and Algeria, in a move to lower their reliance on drugs imports and strengthen their preparedness and response to health emergencies.
- Digital healthcare, such as telemedicine, has taken off during the pandemic as more services went online.

HALAL COSMETICS

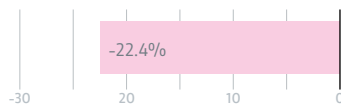
IMPACT OF COVID-19

Impact on Consumer Spending

YOY% (2019-2020)



Impact on OIC Imports



IMPACT ON PRODUCTION AND SUPPLY CHAIN

- **Categories affected:** The pandemic has led to a drop in sales of lipstick, but more demand was registered for skincare products.
- **Varying level of impact:** Cosmetics sales at stores plummeted during the pandemic, forcing some brands and retail outlets to close down.
- **Struggle for smaller brands:** While sales on eCommerce platforms have surged during the pandemic, smaller halal cosmetics brands have often struggled to get onto larger platforms with greater consumer reach and turnover.

EMERGING SOLUTIONS

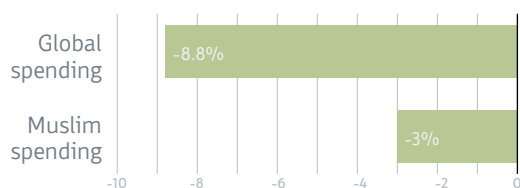
- Cosmetics companies are adapting their portfolios and commercial strategies to match evolving consumer demands.
- The supply chain disruption during the pandemic has driven support for local ownership and production. Local brands have also innovated and responded faster to the new market opportunity.

ISLAMIC-THEMED MEDIA AND RECREATION

IMPACT OF COVID-19

Impact on Consumer Spending

YOY% (2019-2020)



IMPACT ON PRODUCTION AND SUPPLY CHAIN

- **Content creation:** In the first year of the pandemic, the media sector had a captive audience but struggled with producing new content amid restrictions.
- **IPR Issues:** The changing use of applications and platforms is already raising intellectual property rights issues.¹²
- **Categories benefited:** Entertainment, digital services, and mobile/video gaming have all benefitted from the pandemic.

EMERGING SOLUTIONS

- OIC countries are backing cultural and film initiatives through local productions in the wake of COVID-19.
- Short-form video content is disrupting the digital media landscape.
- Non-Fungible Tokens are taking off as a way to sell digital art.

1. Michael Lipka. *Muslims and Islam: Key findings in the U.S. and around the world*. Pew Research Center. August 9, 2021.
2. *The Future of the Global Muslim Population*. Pew Research Center. January 27, 2021.
3. Jacob Poushter & Janell Ferrerolf. *How people around the world view religion's role in their countries*. Pew Research Center. April 22, 2021.
4. *The Age Gap in Religion Around the World*. Pew Research Center. June 13, 2021.
5. *The Global State of Digital 2021*. Hootsuite. 2021.
6. Ibid
7. Pippa Stevens. *Oil plunges 24% for worst day since 1991, hits multi-year low after*

8. *OPEC deal failure sparks price war*. CNBC. March 8, 2021.
9. 'Halal-related' products emphasize that a sector is subject to halal requirements even if it is not fully applied. For instance, tourism 'halal-related' implies it is subject to halal requirements even though the whole sector used by Muslims is not halal. This provides investors the 'addressable Muslim market' as the opportunity.
10. Bank Indonesia, *Sharia Economy and Finance Report*, 2020.
11. *COVID-19 and the tourism sector*. International Labour Organization. June 18, 2020.
12. *COVID-19 and the health sector*. International Labour Organization. June 26, 2020.
13. *COVID-19 and the media and culture sector*. International Labour Organization. July 10, 2020.

The Global Islamic Economy Indicator

Purpose and Methodology

The Global Islamic Economy Indicator (GIEI) offers a comprehensive picture of countries that are currently best positioned to address the multi-trillion-dollar global halal economy opportunity



In its ninth year, the purpose of the GIEI is to benchmark the leading national ecosystems that can best support the development of Islamic economy business activity relative to their size. The GIEI is a composite

weighted index that measures the overall development of the Islamic economic sectors by assessing the performance of its parts in line with its broader social obligations. It comprises 52 metrics organized into five components for each of the seven sectors of the Islamic economy (Islamic finance, halal food, Muslim-friendly travel, modest fashion, media/recreation, and halal pharmaceuticals/cosmetics). The different components that make up the indicator are as follows:

- Financial sub-indicators: metrics that gauge the size of the sector.
- Governance sub-indicators: metrics to gauge the halal certification and shariah regulatory landscape (as applicable).
- Awareness sub-indicators: metrics to understand the extent of awareness the sector has built through the media as well as through related events.

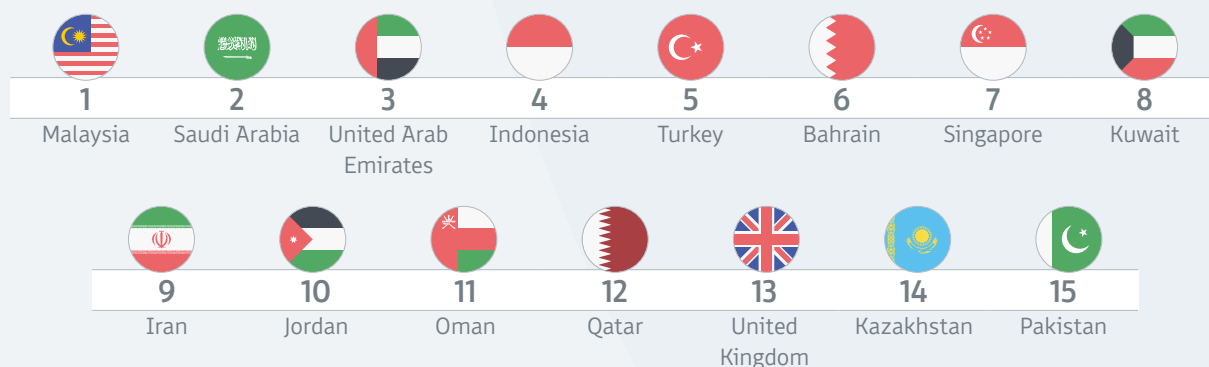
- Social sub-indicators: metrics to understand the social impact of the sector.
- Innovation sub-indicators: metrics to understand the innovation landscape of the sector.

The data used in the calculation of the indicator is from 2020 and accounts for the impact of COVID-19.

To enhance the indicator as it moves towards its second decade, some changes are being introduced into the methodology.

- **In calculating the sector score, each sub-indicator was given a fixed weightage.** Previously, the sector score was the sum of the sub-indicators.
- **In calculating the overall GIEI score, each sector was given a fixed weightage.** Previously, the weightage was based on the proportion of the sector's consumer spend when compared to the Islamic economy's spend as a whole. This allows for smaller sectors to have a more pronounced impact on the overall GIEI score.
- **The innovation sub-indicator has also been added for the first time this year.** It considers the innovation landscape for the sector with metrics related to eCommerce and the environment for startups.

Global Islamic Economy Indicator: Top 15 Countries Ranked



Top 15 Global Islamic Economy Indicator Score



ISLAMIC FINANCE

1	Malaysia
2	Saudi Arabia
3	Bahrain
4	Kuwait
5	United Arab Emirates
6	Indonesia
7	Iran
8	Oman
9	Qatar
10	Jordan



HALAL FOOD

1	Malaysia
2	Indonesia
3	Turkey
4	Russia
5	United Arab Emirates
6	Kazakhstan
7	Singapore
8	Saudi Arabia
9	South Africa
10	Australia



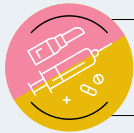
MUSLIM-FRIENDLY TRAVEL

1	Malaysia
2	Singapore
3	Turkey
4	Bahrain
5	United Arab Emirates
6	Tunisia
7	Saudi Arabia
8	Kuwait
9	Kazakhstan
10	Morocco



MODEST FASHION

1	United Arab Emirates
2	Turkey
3	Indonesia
4	China
5	Spain
6	Italy
7	Singapore
8	France
9	Malaysia
10	Germany



PHARMA AND COSMETICS

1	Singapore
2	Malaysia
3	Netherlands
4	Belgium
5	France
6	Egypt
7	Turkey
8	United Arab Emirates
9	Indonesia
10	United Kingdom



MEDIA AND RECREATION

1	Malaysia
2	Singapore
3	United Arab Emirates
4	China
5	Turkey
6	United Kingdom
7	Netherlands
8	Belgium
9	Germany
10	United States

Indicator score breakdown for Top 15 ranking countries

		GIEI	Islamic Finance	Halal Food	Muslim-Friendly Travel	Modest Fashion	Pharma and Cosmetics	Media and Recreation
1	Malaysia	207.2	426.9	123.4	193.5	46.0	83.9	97.3
2	Saudi Arabia	97.8	218.6	56.6	69.2	19.3	34.3	29.7
3	UAE	90.2	114.6	63.3	78.6	171.8	53.6	63.8
4	Indonesia	68.5	91.0	71.1	58.0	68.0	46.3	26.8
5	Turkey	67.3	51.0	69.8	106.7	95.1	55.0	53.5
6	Bahrain	66.7	121.9	44.5	89.3	18.6	29.4	30.1
7	Singapore	65.0	45.0	57.8	107.1	48.3	107.9	78.5
8	Kuwait	62.1	115.5	43.1	69.0	17.5	29.6	29.2
9	Iran	56.0	90.3	48.1	52.1	25.4	42.3	24.9
10	Jordan	51.8	72.1	51.3	58.4	19.3	44.6	25.7
11	Oman	47.8	74.5	46.1	43.2	20.2	26.9	25.9
12	Qatar	46.9	73.4	43.4	40.1	21.6	26.2	30.8
13	United Kingdom	46.1	49.0	47.4	31.4	41.9	45.2	52.9
14	Kazakhstan	45.2	46.0	59.2	60.8	26.6	22.7	26.4
15	Pakistan	44.9	65.7	48.3	38.7	26.4	30.9	11.0



PHOTOS: UNSPLASH AND SHUTTERSTOCK

Leading Countries

The top 4 positions remain unchanged from last year, with Malaysia retaining the top spot for the 9th consecutive year. Malaysia is followed by Saudi Arabia, the UAE and Indonesia. New entrants to the top 15 include the UK and Kazakhstan. Turkey and Singapore moved up 7 and 8 positions respectively to reach the 5th and 7th positions overall. Nigeria and Sri Lanka have moved out of the top 15.



MALAYSIA

Malaysia retains the top position in the overall GIEI rankings, also leading in Islamic Finance, Halal Food, Travel, and Media and Recreation.

The Malaysian Islamic Finance sector has shown continued growth, with a 9% increase in Islamic finance assets and a 20% growth in the value of Islamic funds. The pandemic has stoked growth in the Islamic fintech area as financial institutions look to create new remote services. Ethis, the first fully Shariah-compliant equity crowdfunding platform in Malaysia, is an example of one of the new fintech providers to come about during the pandemic.¹³ The launch of the dedicated Malaysian site for modest fashion eCommerce platform Modanisa shows the potential for further growth in that sector for the country as well. The media and recreation sector has also seen great success with the animated children's series Omar and Hana, which reached 3 billion views on YouTube.



SAUDI ARABIA

Saudi Arabia retains the second position in the overall GIEI ranking. The country's strength in the Islamic Finance sector continues to grow.

Apart from the growth in Islamic finance assets and the value of Islamic funds, Saudi Arabia has seen significant growth in Islamic finance education, with the number of available courses and seminars on Islamic finance increasing from 30 to 57. Regulatory initiatives in Islamic finance are expected to increase the adoption of Islamic finance in Saudi Arabia.

Halal food exports to OIC countries from Saudi Arabia only decreased by 2%, despite the pandemic. Hajj and Umrah tourism were heavily impacted by the pandemic; however, Saudi Arabia has continued to invest in its tourism sector as part of its Vision 2030 strategy. The country's Public Investment Fund (PIF) is investing in luxury resorts, an airline, and a cruise line in its efforts to expand leisure tourism.



UNITED ARAB EMIRATES

The UAE retains the 3rd position in the overall GIEI ranking. The UAE is ranked 1st in Modest Fashion and 3rd in Media and Recreation indicators.

The UAE has the highest score in the newly introduced innovation sub-indicator. That innovation is proven in the new digital endeavors in the country, such as the first Non-fungible Token (NFT) Islamic art agency. The country is also home to 31 Islamic finance fintech companies.¹⁴ The pandemic caused a decrease in exports across the board; however, it also spurred new projects such as investments in smart farms to address food security. Pure Harvest Smart Farms raised US\$60 million in a new round of funding.¹⁵ The UAE also became the first OIC Arab country to locally produce COVID-19 vaccines in a joint collaboration between Sinopharm CNBG and Abu Dhabi's G42.¹⁶



PHOTOS: SHUTTERSTOCK

INDONESIA

Indonesia retains the 4th position in the overall GIEI ranking. Indonesia continues to move up the Halal Food indicator ranking, placing 2nd this year.

Halal food exports to OIC countries increased by 16%. This will be further improved as the country is set to launch an integrated halal product codification and trade data system by the end of 2021.

The country is also taking various steps to improve halal certification, such as codifying and digitizing halal certifi-

cates to track halal products' value and volume information.

The Islamic finance sector in Indonesia will benefit significantly from the merger between PT Bank Mandiri, PT Bank Negara Indonesia, and PT Bank Rakyat Indonesia. Development in the Islamic finance sector has also been ongoing.

Indonesia is home to 31 fintech companies.¹⁷ Shariah-compliant P2P SME lending platform, Alami, took part in multiple equity and debt funding rounds over the year. The company hopes to become a digital bank.



TURKEY

Turkey moved up 7 positions to enter the top 5 countries in the overall GIEI ranking. This was largely due to high scores across sectors and one of the highest innovation scores in the OIC.

Turkey is in the top 10 in every sector except Islamic finance, ranking 3rd in halal food and Muslim-friendly travel and 2nd in modest fashion. The economy outperformed the whole group of 20 nations, except for China, in the first quarter after nearly stalling a year ago when the pandemic struck. Turkey scored favorably in the innovation sub-indicator, which contributed positively to the increase in ranking.

Turkey is one of the top 5 suppliers of clothing to the OIC. It is the only OIC country among the top 5 global suppliers. One of Turkey's most well-known successes is the modest fashion eCommerce site Modanisa, which celebrated its 10th anniversary and launched a dedicated Malaysian site. Turkey is a prime destination for Muslim-friendly travel with a number of Muslim-friendly accommodation options.

Promising Countries

Singapore, the UK and South Africa have all made significant progress in the overall Global Islamic Economy indicator as well as at a sub-indicator level. Singapore is one of the new entrants to the top 10 countries in the GIEI overall ranking, while the UK and South Africa have made the top 20 this year



SINGAPORE

BIG MOVES	Muslim-F. Travel +7	Modest Fashion +8	Pharma and Cosmetics +2
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Singapore moved up 8 positions to the 7th position in the GIEI Overall indicator. Singapore ranks among the top 10 across all sectors except Islamic finance. This was mostly due to positive growth in exports to OIC countries for modest fashion, media and recreation, and pharmaceuticals and cosmetics. Singapore also scored favorably in the awareness sub-indicator, with many educational courses and events carried out across the sectors. With predominantly Muslim neighboring countries, it has excellent potential to grow further as a leading destination for Muslim-friendly travel.



SOUTH AFRICA

BIG MOVES	Islamic Finance +9	Media and Recreation +10
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South Africa moved up 12 positions to rank 16th in the GIEI overall indicator. Despite the pandemic, halal food exports from South Africa to OIC countries increased by 137%. South Africa has a robust halal certification industry with several certification bodies, some of which are internationally recognized. This would provide the country with solid potential for countries with strict halal import regulations like Indonesia. South Africa has the 2nd largest amount of Islamic finance assets in sub-Saharan Africa. Islamic fintech company Wahed Invest has acquired a regulatory license to operate in South Africa. 3 out of the 5 major banks provide Islamic finance products such as basic banking products, investments and financing. South Africa will be locally manufacturing the Pfizer-BioNtech COVID-19 vaccine in 2022, a first in Africa, with a goal of reaching more than 100 million finished doses annually, which will be distributed across Africa.²⁰



UNITED KINGDOM

BIG MOVES	Islamic Finance +2	Pharma and Cosmetics +8
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The UK moved up 9 positions to rank 13th in the GIEI overall indicator. The UK holds the highest score in the innovation sub-indicator. The UK moved up 8 ranks in pharma and cosmetics to enter the top in the sector indicator. The country also rose 2 positions in Islamic finance with a 40% increase in Islamic finance assets and a 59% increase in the value of Islamic funds. The UK is a leader in Islamic fintech companies. There are currently 39 companies in the country.¹⁸ In July 2021, the world's first Islamic international digital bank, Nomo, was launched in the United Kingdom.¹⁹ Modest fashion continues to penetrate the mainstream fashion industry, with John Lewis stores introducing the Aab brand to their stores.

13. Richard Whitehead. *Malaysia's Islamic fintech sector has been having a 'good pandemic'*. Salaam Gateway. March 30, 2021.
14. Richard Whitehead. *Malaysia's Islamic fintech sector has been having a 'good pandemic'*. Salaam Gateway. March 20, 2021.
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18. Richard Whitehead. *Malaysia's Islamic fintech sector has been having a 'good pandemic'*. Salaam Gateway. March 30, 2021.
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Trade, Investments & FDI

Islamic Economy Trade Overview

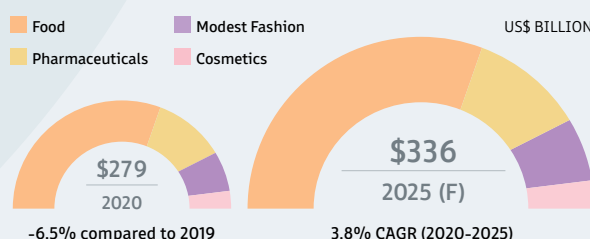
The import of halal products to OIC markets is projected to grow from US\$279 billion in 2020 to US\$336 billion at 3.8% CAGR by 2025

Import of halal-related products by the Organization of Islamic Cooperation (OIC) member countries fell sharply by 6.5% from US\$299 billion the previous year to US\$279 billion in 2020. This is largely due to supply chain disruptions and economic crises faced by the OIC countries and their exporters during the COVID-19 pandemic. Halal product imports by the OIC are expected to rebound at 3.8% CAGR in 5 years, reaching a higher value than pre-COVID-19 at US\$336 billion.

The halal products trade includes categories from food and beverage, fashion (apparel and footwear), pharmaceuticals, and cosmetics. Imports by OIC member countries represent a significant majority of halal products traded globally. Products imported by OIC are presumed to be halal

in nature or requiring some degree of halal compliance since these countries have the largest number of Muslim consumers, and some have implemented regulations for trade in halal products. (Please refer to the methodology section for detailed taxonomy.)

OIC Halal Products Trade – Imports and Growth (2020-2025)



NEED TO STRENGTHEN PRODUCTION AND INTRA-OIC TRADE

The OIC member countries are largely import-dependent, with a US\$53.5 billion trade deficit for halal products and sourcing primarily from non-OIC member countries. The top 10 exporters to OIC make up around 52% of the total exports. Of these, only two countries are from the OIC—Turkey and Indonesia—which cover 7% of the total exports.

The COVID-19 pandemic has had direct repercussions

on supply chains and trade. Except for China, all other top 10 exporters to OIC are among the top 15 countries with the most COVID-19 cases, accounting for 58% of global cases. While addressing this phenomenon is urgent, it is also laden with opportunities for the OIC member countries to increase self-sufficiency and strengthen intra-OIC trade.

Top Exporters to OIC

US\$ BILLION (2020 EST.)

China	\$25.4
India	\$22.2
USA	\$17.0
Brazil	\$16.7
Russia	\$13.8
France	\$12.6
Turkey	\$10.5
Germany	\$10.0
Argentina	\$8.6
Indonesia	\$8.5

Top OIC Importers

US\$ BILLION (2020 EST.)

Saudi Arabia	\$31.2
UAE	\$23.2
Turkey	\$22.1
Indonesia	\$21.1
Malaysia	\$20.5
Egypt	\$16.5
Nigeria	\$11.2
Algeria	\$10.4
Iraq	\$10.4
Bangladesh	\$9.0

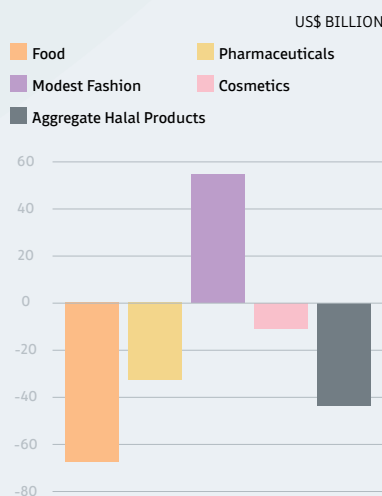
■ OIC countries

■ Countries among the Top 15 most COVID-19 cases (August 2021, Worldometer)

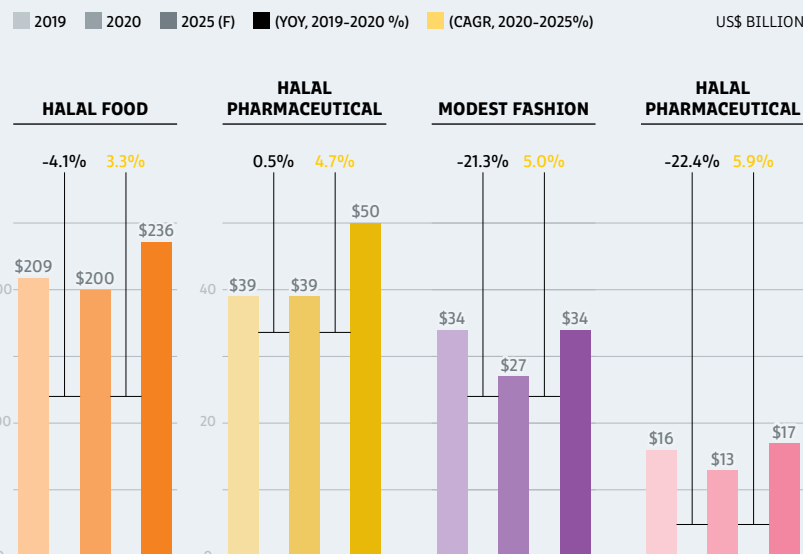
HALAL PRODUCTS TRADE OPPORTUNITY

Most of the halal product sectors experienced a drop in OIC imports compared to the previous year, except for pharmaceuticals, with a 0.5% increase in imports, reasonably attributed to the urgency for medical supplies during the COVID-19 pandemic. OIC imports in fashion and cosmetics had the largest year-on-year drop by 21.3% and 22.4%, respectively. However, fashion is the only sector with a trade surplus of US\$56 billion in 2020. Trade in all halal product sectors is projected to grow positively in the next 5 years and rebound to pre-COVID-19 figures or more.

Islamic Economy Sector Trade Balance (Exports less Imports)



Islamic Economy Sector Imports and Growth



Overall Islamic Economy Investment Activity

Investment activity has increased as economies gradually re-opened, and vaccine rollouts took place

The Islamic economy has gradually seen a recovery since the pandemic began, as investments in the Islamic economy increased by 118% in 2020/21 to US\$25.7 billion from US\$11.8 billion in 2019/20. The number of relevant M&A, private equity, and venture capital transactions increased from 156 in 2019/20 to 210 in 2020/21.

The Top 5 countries in terms of the number of investments has changed for the first time in two years. The UAE now ranks first, and Saudi Arabia has entered the top 5 after ranking 7th last year. Together, investments in the halal food and Islamic finance sectors accounted for more than 80% of total deal value, which is a decrease from the 93% of investments the sectors generated in 2019/20.

The COVID-19 pandemic continued to create uncertainty in the investment sector as new variants emerged throughout 2020 and 2021. The rollout of vaccine programs in many countries globally, however, decreased the uncertainty somewhat and also led to the reduction of movement restrictions for citizens and borders opening for travelers. The impact of the pandemic on global FDI was concentrated in the first half of 2020. In the second half, cross-border M&As and international project finance deals largely recovered. However, greenfield investment, which is more important for developing countries, continued its negative trend throughout 2020 and into the first quarter of 2021.²¹

In the Islamic economy, merger and acquisition transactions accounted for 34% of transactions recorded over the past year. The number of M&A transactions was lower than last year, while the number of venture capitalist transactions increased significantly from 60 deals in 2019/20 to 114 deals in 2020/21.

Globally, third-quarter volumes drove global M&A activity in the first nine months of 2021 to an unprecedented record of US\$4.33 trillion, overtaking an all-time annual peak of US\$4.1 trillion hits before the financial crisis in 2007²², well surpassing the full-year tally of US\$3.59 trillion in 2020. Sectors that are still struggling from the pandemic, such as consumer retail and travel firms, have lagged other acquisitive sectors such as technology and healthcare on M&A activity this year.²³

Of the US\$4.1 trillion dollars in global M&A deals announced so far in 2021, for which definitive agreements have been entered into, US\$2 trillion have reached completion, US\$208 billion have been terminated, and US\$1.9 trillion remain pending and have yet to close. For the US\$3.7 trillion in deals announced in 2020, US\$2.8 trillion have reached completion, US\$179 billion were terminated, and US\$699 billion still have yet to close. Global deals this year are larger on average than they were last year. The average size of deals announced in 2021, for which agreements have been executed, is US\$82 million, up from 2020's average deal size of US\$76 million.²⁴

As of January 2021, global private equity dry powder was at an all-time high of US\$1.9 trillion, despite the fact that fundraising slowed in 2020 as investors stepped back from committing capital to new funds to focus on their existing portfolios. With so much capital available to private equity managers, deal activity has surged in the back half of 2020 and into 2021. As the economy opens, there are signs that private equity firms are seeing opportunities to invest in businesses operating in sectors hardest hit by the pandemic at attractive valuations. Cash-rich special



purpose acquisition companies (SPACs) have further fuelled the market. Although competitors to private equity firms in buyout scenarios, SPACs have provided an attractive liquidity strategy for firms when selling. SPAC deals have seen buyout firms able to sell down stakes in prized assets but also retain minority stakes in them if desired.²⁵

Global venture capital funding also broke records in the first half of 2021 with over US\$288 billion in investments. More of these companies went public with a valuation of over US\$10 billion than in the entirety of 2020. The first half of 2021 saw 250 companies join Crunchbase's Unicorn Board, compared to just 161 for all of 2020. Growth and PE investors as a cohort have invested more dollars in rounds

they led this year so far compared to the whole of 2020. The same can be said for venture investors, as well, by the half-year mark.

More than US\$100 billion was invested globally in late-stage funding growth in the second quarter, up from US\$91.5 billion in the first quarter. The most recent quarter is also up more than US\$40 billion compared to quarterly funding totals for each quarter in 2020, per Crunchbase figures. Early-stage funding peaked at US\$43.4 billion to over 1,900 startups globally in the second quarter of 2021, up 66% year over year. Over US\$6 billion was invested in more than 3,500 seed-stage startups in the first half of the year.²⁶

Methodology

In a revision of the method used in the previous report, we extended our analysis to look at all sector-relevant OIC companies, and Islamic-economy focused companies outside the OIC that were subject to merger and acquisition activities (M&A) or raised funds through venture capital or private equity funding during the past year (August 1st, 2020, through July 31st, 2021). The same methodology was applied to the previous year's transactions to allow like-for-like comparisons. The full details are in the methodology section.

Investments Overview in 2020/21

Sector	20-21	Total Deal Values (US\$000s)
Halal Food	76	3,972,086
Islamic Finance	57	17,033,932
Media	26	1,289,113
Travel & Tourism	13	1,262,275
Halal Pharma	22	2,060,839
Modest Fashion	9	28,290
Halal Cosmetics	7	20,307
Deal type	20-21	Total Deal Values (US\$000s)
M&A	72	22,386,604
PE	24	2,611,850
VC	114	668,387
Total	210	25,666,841

Top 10 M&A transactions by disclosed value

Sector/ Sub-Category	Target	Year	Deal Value (US\$000s)	Acquiror
Islamic Finance	Samba Financial Group (SASE:1090)	2021	14,857,700	The Saudi National Bank (SASE:1180)
Travel & Tourism	DXB Entertainments PJSC (DFM:DXBE)	2021	1,245,660	Meraas Leisure and Entertainment LLC
Halal Pharma	Amoun Pharmaceutical	2021	740,000	ADQ, Abu Dhabi, UAE
Islamic Finance	Bank Audi SAE	2021	600,000	First Abu Dhabi Bank P.J.S.C. (ADX:FAB)
Halal Pharma	OM Pharma	2020	530,000	Abdi Ibrahim
Halal Pharma	Bausch	2021	470,000	ADQ
Halal Food	InstaShop	2020	360,000	Delivery hero, Berlin, Germany
Islamic Finance	PT Bank Permata Tbk (IDX:BNLI)	2021	302,190	Bangkok Bank Public Company Limited (SET:BBL)
Islamic Finance	PT Bank Permata Tbk (IDX:BNLI)	2021	272,840	Bangkok Bank Public Company Limited (SET:BBL)
Media	Rollic Games Oyun Yazilim ve Pazarlama Anonim Sirketi	2021	268,000	Zynga Inc. (NasdaqGS:ZNGA)

Top 10 private equity transactions by disclosed value

Sector/ Sub-Category	Target	Year	Deal Value (US\$000s)	Acquiror
Halal Food	Getir	2021	555,000	Base Partners, DisruptAD, Mubadala, Sequoia Capital, Silver Lake, Tiger Global Management, Winter Capital Partners
Halal Food	Kitopi	2021	415,000	SoftBank, Chimera, ADQ, DisruptAD, etc
Media	Tokopedia	2020	350,000	Google, Temasek Holdings
Halal Food	Getir	2021	300,000	Base Partners, Sequoia Capital, Tiger Global Management
Media	PT Elang Mahkota Teknologi Tbk (IDX:EMTK)	2021	150,000	NAVER Corporation (KOSE:A035420)
Halal Food	ROYAL HOLDINGS Co., Ltd. (TSE:8179)	2021	144,670	Sojitz Corporation (TSE:2768); The Bank of Fukuoka, Ltd.; Nishi-Nippon Financial Holdings, Inc. (TSE:7189); Development Bank of Japan Inc., Investment Arm; Mizuho Bank, Ltd., Investment Arm
Halal Food	PT Borneo Ketapang Permai	2021	135,480	First Resources Limited (SGX:EB5); PT Subur Arum Makmur
Halal Food	Getir	2021	128,000	Base Partners, Crankstart Foundation, Esas Holding, Fiba Holding A.Āž, Goodwater Capital, Re-Pie Asset Management, Revo Capital, Tiger Global Management
Islamic Finance	Tamara	2021	110,000	Checkout.com
Islamic Finance	LinkAja	2020	100,000	BRI Ventures, Grab, Mandiri Capital Indonesia (MCI), Telkomsel

Top 10 venture capital transactions by disclosed value

Sector/ Sub-Category	Target	Year	Deal Value (US\$000s)	Acquiror
Halal Food	TaniHub	2021	65,500	AddVentures, BRI Ventures, Flourish Ventures, Intudo Ventures, MDI Ventures, Openspace Ventures, Telkomsel Mitra Inovasi, Tenaya Capital, UOB Venture, Vertex Ventures
Islamic Finance	Ajaib	2021	65,000	Alpha JWC Ventures, Bangkok Bank, David Velez, Horizons Ventures, ICONIQ Capital, Insignia Ventures Partners, Ribbit Capital, Seunggun Lee, Softbank Ventures Asia, Y Combinator Continuity Fund
Islamic Finance	BukuWarung	2021	60,000	Goodwater Capital, Valar Ventures
Halal Food	Sary	2021	30,500	VentureSouq
Islamic Finance	Bibit.id	2021	30,000	500 Startups, AC Ventures, East Ventures, EV Growth, Sequoia Capital India
Islamic Finance	tabby	2020	23,000	AB Accelerator, Abdul Latif Jameel, Arab Bank, Arbor Ventures, Global Founders Capital, Global Ventures, HOF Capital, MSA Capital, Mubadala, Outliers Venture Capital, Raed Ventures, Sahra Growth Capital, STV, VentureSouq
Halal Food	iKcon	2021	20,000	Al Hokair Group, AlTouq Group, BY Venture Partners, Derayah Venture Capital, Mohamed Yousuf Naghi Group, Nazer Group
Halal Food	Foodics	2021	19,996	Derayah Venture Capital, Elm, Endeavor Catalyst, Sanabil, STV
Halal Food	Sweetheart Kitchen	2020	17,724	Peter Schatzberg
Halal Cosmetics	selfologi	2021	17,500	Tamer A Wali, Xenel

AUSTIN DISTEL/UNSPLASH

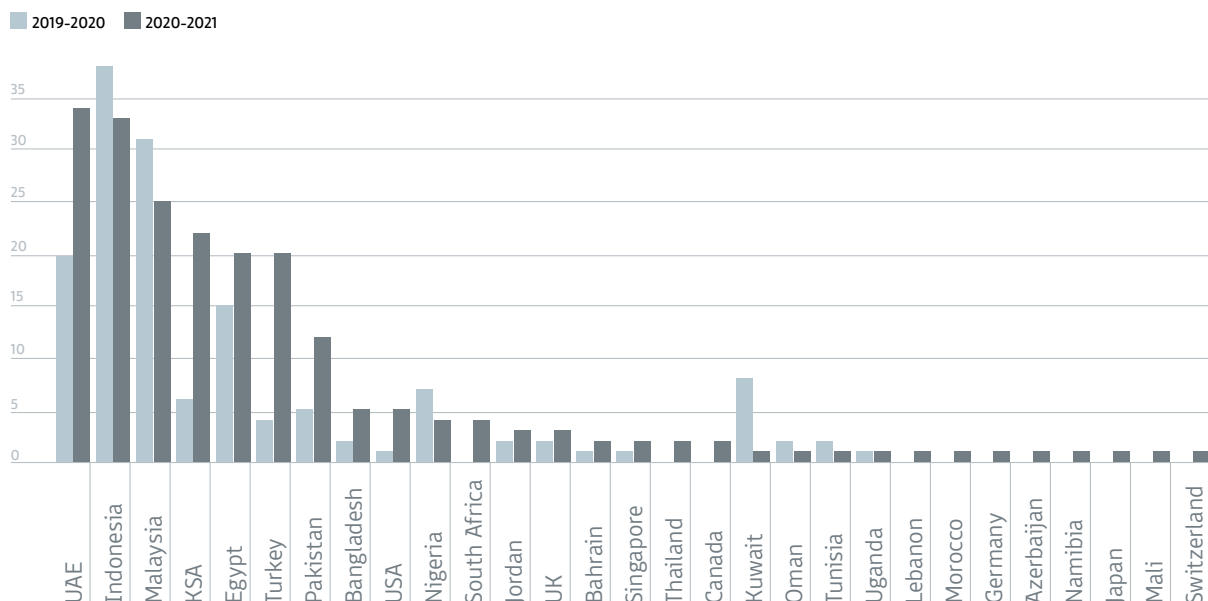


Investments by Geography

For the first time since 2018/19, the UAE has moved up to 1st position, with Indonesia and Malaysia moving down to 2nd and 3rd, respectively. Egypt moved down to 4th position and was replaced by Saudi Arabia, which rose 3 positions from 7th last year. Turkey, Pakistan, and Bangladesh all moved up 2, 1, and 2 positions, respectively. The USA has entered the top 10. Kuwait has dropped out of the top 10.

The UAE outranked Indonesia by just 1 deal. The top 4 countries accounted for 54% of all recorded transactions. The top 4 countries in 2019/20 accounted for 67% of all transactions. Deals were recorded in 29 countries this year as opposed to 24 last year.

Top 20 countries by number of M&A, VC and PE deals in 2020/21



Investments by Sector

HALAL FOOD

In 2019/20, deals related to halal food accounted for 51.86% of all deals. This proportion decreased to 15.5% in 2020/21. The total deal value decreased by 35% to US\$3.97 billion from US\$6.3 billion in 2019/20. Food technology companies are still seeing the most investment given the significant growth seen on such platforms since the pandemic.

Top 3 countries by number of deals in Halal Food in 2020/21

Indonesia	14
Malaysia	12
UAE	11

- Turkish on-demand delivery service, Getir, received series B, C, and D funding in 2021, amounting to US\$128 million, US\$300 million, and US\$555 million, respectively.
- International companies continue to see the positive prospects of the halal food market, with German food delivery service Delivery Hero acquiring UAE online grocery platform Instashop and US Kraft Heinz Company acquiring Turkey's Assan Foods. International companies also see countries placed in the middle east region to be ideally located to open more markets.

OUTLOOK

Investments in the halal food sector are expected to continue. Since the halal law came into effect in Indonesia, the country has had good prospects for halal food investors. Halal food technology platforms such as delivery on-demand apps for food and groceries as well as cloud kitchens and other AI-driven solutions will continue to generate investments.

ISLAMIC FINANCE

The number of deals related to Islamic finance increased from 38 in 2019/20, valued at US\$4.9 billion, to 57, valued at US\$17 billion, in 2020/21. This equates to a 246% increase in the value of the deals year on year.

Top 3 countries by number of deals in Islamic finance in 2020/21

Indonesia	12
Saudi Arabia	9
Egypt	6

- Saudi National Bank was formed through the merger of NCB and SAMBA financial group in a deal worth US\$14 billion. The new bank will become the largest

bank in Saudi Arabia.²⁷

- First Abu Dhabi Bank acquired a 100% stake in Audi Bank Egypt. This acquisition will make First Abu Dhabi Bank one of the largest international banks in Egypt.²⁸
- Indonesia's BukuWarang, a fintech-focused on Indonesia's micro, small and medium enterprises (MSMEs), has received the largest Series A round of financing for a company focused on MSMEs, valued at US\$60 million.²⁹

OUTLOOK

Islamic banking is set to continue its growth globally, including in non-OIC countries such as the UK, where Islamic fintech companies are already developing successfully. Further investment in fintech startups across the OIC is also expected.

MUSLIM-FRIENDLY TRAVEL

With many countries still imposing strict travel restrictions, the global travel industry is making a slow recovery from the devastation caused by the COVID-19 pandemic. Deals in the Muslim-friendly travel industry during 2020/21 were all venture capital deals and mostly related to digital travel-related solutions. Deals in travel increased from US\$341 million in 2019/20 to US\$1.2 billion in 2020/21.

Top 3 countries by number of deals in Muslim-friendly travel in 2020/21

UAE	4
Malaysia	3
Pakistan	2

- UAE theme-park operator DXB Entertainment was acquired by Meraas for US\$1.2 billion. The acquisition came as the theme parks were hard-hit by the COVID-19 pandemic and suffered huge losses.³⁰
- UK-based HalalBooking received a pre-series B investment of US\$5 million from a group of unnamed angel investors and the British Business Bank.³¹
- Saudi Arabian Mabaat, the largest specialized short-term rental platform in the country, received US\$2.4 million in seed funding from Dubai-based venture capital fund Derayah Ventures.³²

OUTLOOK

As countries begin to relax their restrictions on travelers, the sector is set to start opening up. There will be many opportunities for investment in those entities which were negatively impacted financially by the pandemic.

MODEST FASHION

As the fashion industry gets back on its feet after the pandemic, the total deal value in the Apparel and Modest fashion sector increased from US\$28 million to US\$3.4 million in 2019/20, with the total number of deals increasing to 7 from just 2 last year.

Number of deals in apparel and modest fashion in 2020/21

Egypt	5
USA	2
UAE	1
Saudi Arabia	1

- Saudi Egypt Insurance House purchased a total of 18.6%^{33 34} of Egypt's Dice Sport and Casual wear shares.
- Fitness-related apparel continues to be a high-growth area with US\$500 million investments in Egypt's Sigma Fit.

OUTLOOK

With the boom in online shopping resulting from the pandemic, the apparel sector is set to benefit. This is expected to result in more fashion-related technological developments, which will be an excellent opportunity for investors.

PHARMACEUTICALS

Investments in the halal pharmaceutical sector made up 8% of all investments in the halal economy, compared to just 1% in 2019/20. This also significantly increased the total deal value from US\$156 million to US\$2 billion.

Top 3 countries by number of deals in pharmaceuticals in 2020/21

UAE	5
Egypt	4
Malaysia	4

- In order to further Abu Dhabi's economic diversification, ADQ acquired Egypt's Amoun Pharmaceuticals for

US\$740 million, as the current owner, Bausch Health Cos., works to reduce its debt.³⁵

- More than half of the deals in the pharmaceutical sector are with tech-based startups such as Basma.com in the UK, which received US\$3 million in series A round funding³⁶, Malaysia's MiCare, which received US\$30 million in funding from the International Finance Corporation (IFC)³⁷ and Egypt's 3elagi which was acquired by Egypt-based Ibn Sina Pharma as part of its investments in internal digital projects.³⁸

OUTLOOK

Demand for halal pharmaceuticals increased as consumers became more health conscious as a result of the pandemic. Investors will continue investing in tech-based health products.

COSMETICS

Although the number of deals in halal cosmetics increased from 3 in 2019/20 to 5 in 2020/21, the value of deals decreased from US\$124.7 million to US\$20.3 million. All the deals were venture capital deals. Only 0.1% of total Islamic economy investments were made in the halal cosmetics sector.

Number of deals in cosmetics in 2020/21

Pakistan	2
Turkey	1
Malaysia	1
UAE	1
Indonesia	1
South Africa	1

- Dubai-based start-up Selfologi launched a first-of-its-kind healthtech website, which enables users to discover and learn about and compare cosmetics, treatments, and clinics in the UAE and KSA. The start-up received US\$17.5 million in seed funding.³⁹
- Pakistani companies Bagallery and Conatural Beauty received US\$900 000 and US\$825 000 in Pre-series A funding, respectively. Bagallery is an eCommerce platform selling cosmetics and hair products, while Conatural Beauty is an organic skin and haircare brand.

OUTLOOK

The pandemic led to a shift in consumer preference from make-up to skincare and self-care products. Investment is expected to shift to these segments as well. Technology platforms, like, AI for testing make-up, are also expected to become popular and offer good prospects for investors.

MEDIA AND ENTERTAINMENT

Investments in Media and Entertainment accounted for 5% of deals made across the Islamic economy. This is an increase from the 1% in 2019/20. Accordingly, deal value also increased from US\$121 million in 2019/20 to US\$1.3 billion in 2020/21. The majority of the investments in this sector came from venture capitalists.

Top 3 countries by number of deals in media and entertainment in 2020/21

UAE	7
Turkey	7
Indonesia	4

- Google and Singapore's state investment firm, Temasek

Holdings Pte, invested US\$350 million in the Indonesian online marketplace Tokopedia.⁴⁰

- UAE-based Anghami is the first Arab technology company to list on NASDAQ New York via a merger with Vistas Media Acquisition Company Inc., a publicly-traded special purpose acquisition company that raised US\$100 million in its August 2020 initial public offering.⁴¹ Anghami was acquired for US\$220 million.
- Saudi Arabian-based children's entertainment platform, Jeel, received US\$1.2 million in seed funding.

OUTLOOK

With the increase in consumption of at-home entertainment since the start of the pandemic, this segment is expected to receive further investment. Other digital platforms for media consumption are also expected to grab investors' attention.

SIGNALS OF OPPORTUNITY

Increased penetration of digital platforms across sectors is attracting more investment

The pandemic forced consumers to try new low-contact, digital platforms across several sectors. This behavior is set to continue once lockdown restrictions are eased. This will encourage more investments in the technology sector.

Emergence of special purpose

acquisition companies (SPACs)

SPACs are shell companies with no operations that raise capital through an initial public offering and then use the proceeds to fund one or more mergers. SPACs with sharia-compliance framework present opportunities to expedite/scale M&A and IPO activities across Islamic economy sectors.

Islamic Fintech companies are increasingly emerging in non-OIC countries

The UK leads the countries by number of Islamic fintechs with 39 compared to leading OIC countries like Malaysia and the UAE with 31 and 25, respectively.⁴²

A large portion of the deals in Islamic finance were related to fintech companies.

Islamic venture funding growth

Although currently still thin, the emergence of a large Islamic venture fund manager that invests in opportunities across the Islamic economy is steadily gaining momentum with a number of venture funds gaining rapid momentum with the masses.

Foreign Direct Investment (FDI)

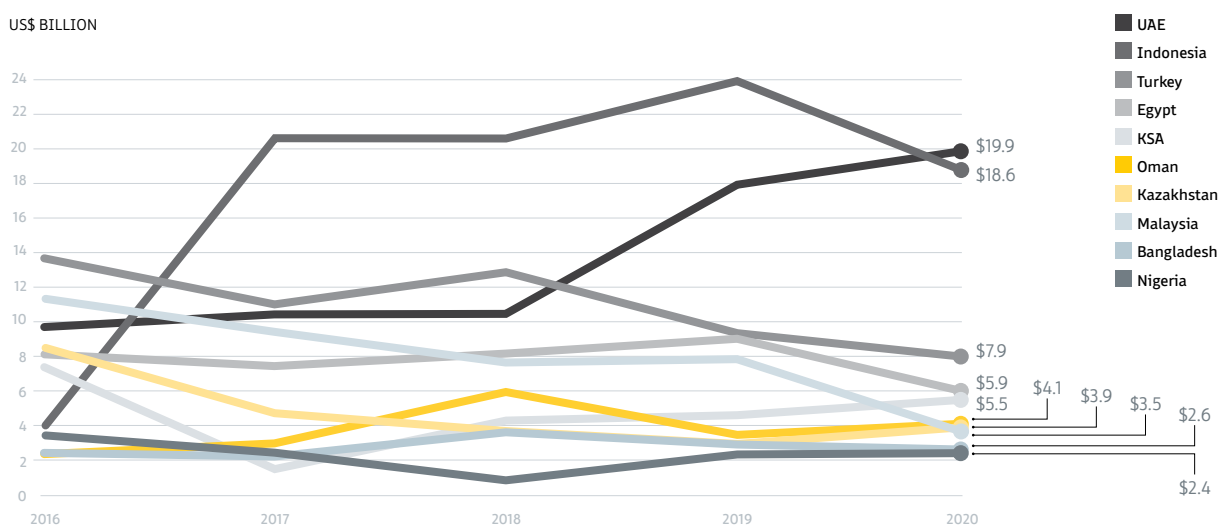
Global FDI flows dropped by 35% to US\$1 trillion from US\$1.5 trillion in 2019. This is almost 20% below the 2009 trough after the global financial crisis. The impact of the pandemic on global FDI was concentrated in the first half of 2020. In the second half, cross-border M&As and international project finance deals largely recovered. But greenfield investment – more important for developing countries – continued its negative trend throughout 2020 and into the first quarter of 2021.⁴³

Greenfield investments in industry and new infrastructure investment projects in developing countries were hit

especially hard. This is a major concern because international investment flows are vital for sustainable development in the poorer regions of the world. Increasing investment to support a sustainable and inclusive recovery from the pandemic is now a global policy priority. This entails promoting investment in infrastructure and the energy transition, in resilience, and in health care.⁴⁴

In 2020, the UAE outranked Indonesia in terms of total FDI inflows. However, both countries are within the overall global top 20 FDI inflows. This is followed by Turkey, which ranks 30th globally.

Top 10 OIC countries by FDI inflow in 2020



FDI Outlook

Many countries took the necessary regulatory precautions to protect domestic companies from foreign takeovers. FDI has been focused on infrastructure and continues to be directed towards improving local supply chains.⁴⁵ Countries with successful vaccine rollout programs stand to be more favorable for investors.

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Leaders' Confidence Roundtable

A select group of industry executives working in various Islamic/halal economy sectors were asked through an online survey to comment on top growth areas and challenges in their respective sectors as well as their companies' planned investments in the halal market. The following section provides a synopsis of their confidence level in halal opportunities in their sectors

Leader profiles

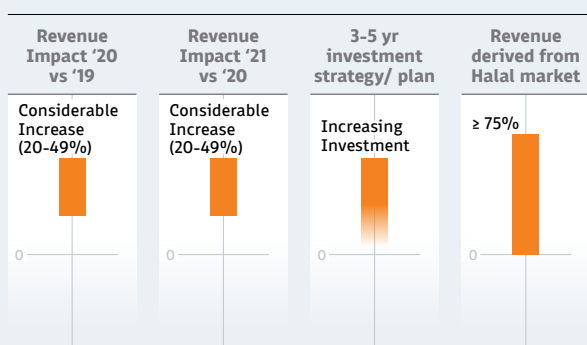
HALAL FOOD

<ul style="list-style-type: none">• President/CEO, Private Halal Food Co.• USA• Size: US\$20 - 49 M	<div>Segment</div> <ul style="list-style-type: none">• Farms/abattoirs• Meat production• Serving: Regional Market		
<div>Top Growth Areas</div> <ul style="list-style-type: none">• Ready-to-eat meals• Traceability and halal logistics• Agritech and food security	<div>Top Growth Challenges</div> <ul style="list-style-type: none">• Rising costs of food leading to food insecurity• Universal halal standards• Halal ingredients		
<p>"Halal product demand is on the rise. However, the supply chain is trailing behind. Significant investments are needed to boost the halal supply chain capacity and capabilities."</p>			
<div>Revenue Impact '20 vs '19</div> <div>Moderate Increase (10-19%)</div>	<div>Revenue Impact '21 vs '20</div> <div>Slight Increase (1-9%)</div>	<div>3-5 yr investment strategy/ plan</div> <div>Increasing Investment</div>	<div>Revenue derived from Halal market</div> <div>≥ 75%</div>

<ul style="list-style-type: none">• C-Level Executive, Private Halal Food Co.• UK• Size: US\$5 - 9.9 M	<div>SEGMENT</div> <ul style="list-style-type: none">• Meat production• Serving: Local Market		
<div>TOP GROWTH AREAS</div> <ul style="list-style-type: none">• Traceability and halal logistics• Agritech and food security	<div>TOP GROWTH CHALLENGES</div> <ul style="list-style-type: none">• Rising costs of food leading to food insecurity• Government restrictions on halal slaughtering• Universal halal standards		
<p>"The outlook is bright for the halal market, even given the current global challenges. The online sector continues to grow as consumers change their buying habits, and halal brands need to adapt to this behavioral change."</p>			
<div>Revenue Impact '20 vs '19</div> <div>Moderate Increase (10-19%)</div>	<div>Revenue Impact '21 vs '20</div> <div>Considerable Increase (20-49%)</div>	<div>3-5 yr investment strategy/ plan</div> <div>Increasing Investment</div>	<div>Revenue derived from Halal market</div> <div>≥ 75%</div>

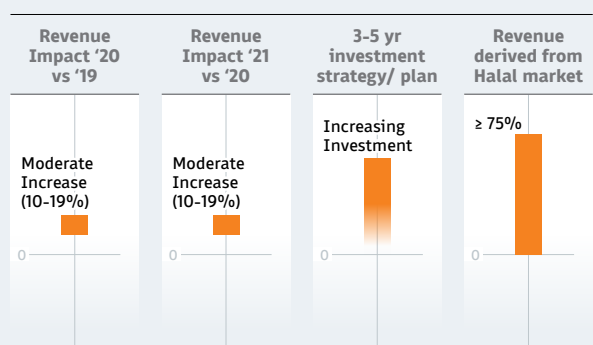
<ul style="list-style-type: none"> • President/CEO, Private Halal Food Co. • Canada • Size: US\$5 – 9.9 M 	Segment <ul style="list-style-type: none"> • Farms/abattoirs • Meat production • Processed food/snacks • Serving: Global Market
Top Growth Areas <ul style="list-style-type: none"> • Ready-to-eat meals • Traceability and halal logistics 	Top Growth Challenges <ul style="list-style-type: none"> • Rising costs of food leading to food insecurity • Universal halal standards • Halal ingredients

“Unifying halal standards will create unified halal commerce gateways and with the adoption of technology, like AI and blockchain, will provide food authenticity, and traceability ease of movement of halal goods, benefiting halal producers and consumers alike.”



<ul style="list-style-type: none"> • President/CEO, Private Halal Food Co. • UAE • Size: US\$20 – 49 M 	SEGMENT <ul style="list-style-type: none"> • Farms/abattoirs • Meat production • Serving: Regional Market
TOP GROWTH AREAS <ul style="list-style-type: none"> • Ready-to-eat meals • Agritech and food security • Traceability and halal logistics 	TOP GROWTH CHALLENGES <ul style="list-style-type: none"> • Universal halal standards • Government restrictions on halal slaughtering • Halal ingredients

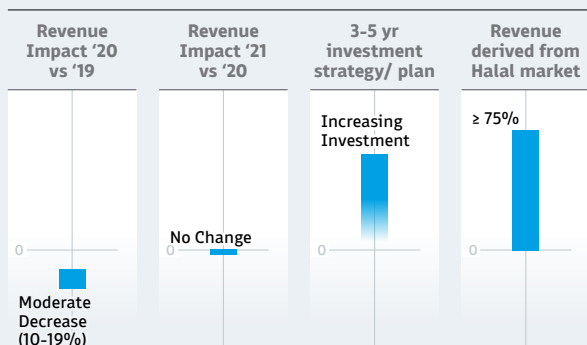
“Global connectivity, disposable income and the desire to explore the world has shrunk the world and increased demand for halal food. We need to eliminate the ambiguity around halal to tap into its full potential.”



ISLAMIC FINANCE

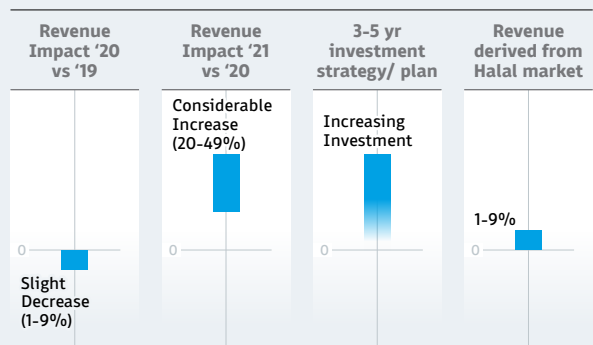
<ul style="list-style-type: none"> • President/CEO, Financial Technology Provider • UK • Size: US\$20 – 49 M 	Segment <ul style="list-style-type: none"> • Market intermediary • Asset facilitation • Serving: Global Market
Top Growth Areas <ul style="list-style-type: none"> • Disruptive finance • Shariah-compliant social impact investments • Initiatives promoting SME growth 	Top Growth Challenges <ul style="list-style-type: none"> • Lack of public awareness of Islamic financial products • Underdeveloped Safety nets and resolution frameworks

“Islamic Finance is evolving away from the traditional financial and banking models that have been prioritized over the past 30 years. Tech is exciting and is both enabling and disrupting, and increasingly at the core of wider halal markets’ connectivity.”



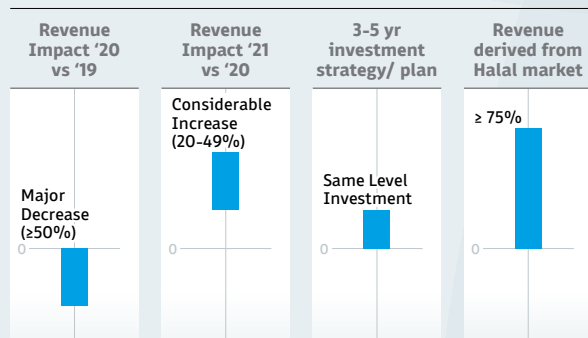
<ul style="list-style-type: none"> • President/CEO, Public Export Credit Co. • UAE • Size: US\$10 – 19 M 	SEGMENT <ul style="list-style-type: none"> • Insurance Company/ Takaful Provider • Serving: Global Market
TOP GROWTH AREAS <ul style="list-style-type: none"> • Disruptive finance • Initiatives promoting SME growth • Shariah-compliant social impact investments 	TOP GROWTH CHALLENGES <ul style="list-style-type: none"> • Lack of public awareness of Islamic financial products • Lack of investor protection

“The outlook for the halal sector is very promising. It has expanded beyond food to include pharmaceuticals, cosmetics, and medical devices, in addition to service components such as logistics, packaging, branding, insurance, and marketing.”



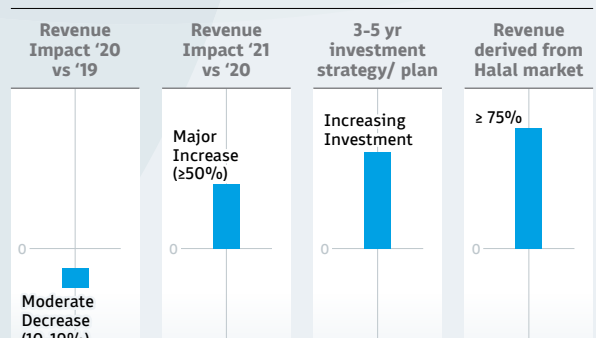
<ul style="list-style-type: none"> • C-Level Executive, Bank • UAE • Size: US\$10 - 19 M 	Segment <ul style="list-style-type: none"> • Banking • Serving: Global Market
Top Growth Areas <ul style="list-style-type: none"> • Disruptive finance • Sukuk for infrastructure and/or financing 	Top Growth Challenges <ul style="list-style-type: none"> • Underdeveloped Safety nets and resolution frameworks • Lack of investor protection

"The spread of halal markets is much appreciated, whereas the lack of market-friendly regulations and government support significantly impacts its growth."



<ul style="list-style-type: none"> • President/CEO, Bank • Saudi Arabia • Size: Over US\$500 M 	SEGMENT <ul style="list-style-type: none"> • Banking • Serving: Global Market
TOP GROWTH AREAS <ul style="list-style-type: none"> • GCC's private sector transformation • Disruptive finance • Sukuk for infrastructure and/or financing 	TOP GROWTH CHALLENGES <ul style="list-style-type: none"> • Underdeveloped Safety nets and resolution frameworks • Lack of public awareness of Islamic financial products • Lack of investor protection

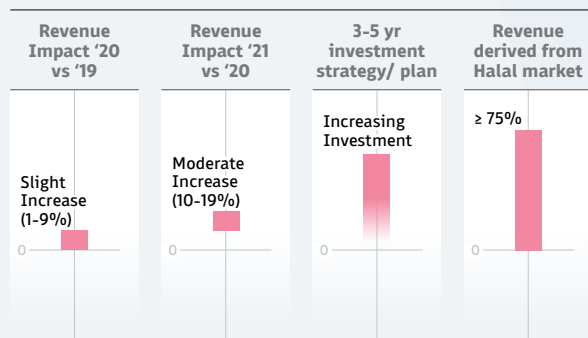
"I expect the halal market to expand into new geographies beyond Islamic countries, through the integration of Islamic finance and ESG. Each adding value to the other practice."



HALAL PHARMA & COSMETICS

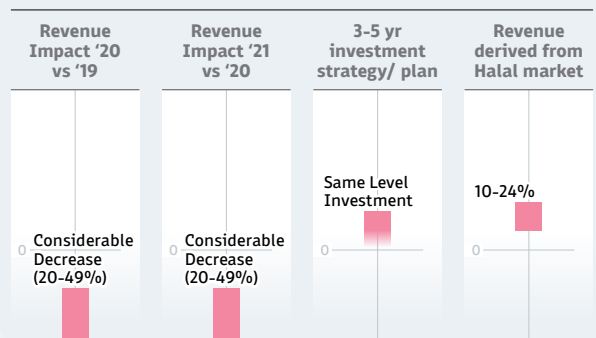
<ul style="list-style-type: none"> • Associate, Global FMCG • Indonesia • Size: US\$100 - 500 M 	Segment <ul style="list-style-type: none"> • Pharma or cosmetics manufacturer • Serving: Global Market
Top Growth Areas <ul style="list-style-type: none"> • Halal certified COVID-19 vaccine • Halal innovation hubs • Halal certified ingredients 	Top Growth Challenges <ul style="list-style-type: none"> • Halal awareness among Muslim consumers, and healthcare practitioners • Widely accepted/ recognized halal standards • Government support, including contracts to source halal pharma

As a market leader in the FMCG sector, our products must remain relevant to our Muslim consumer's values and needs. We also synergize with the government to strengthen Indonesia's position in the global halal industry."



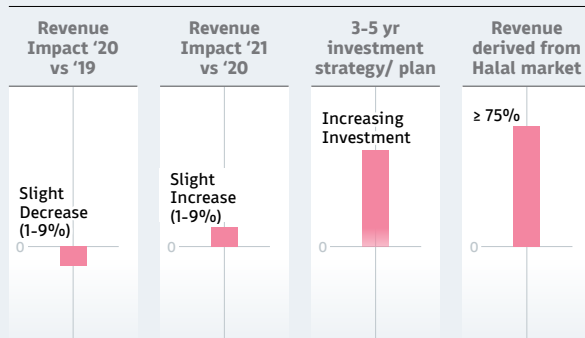
<ul style="list-style-type: none"> • Director, Private Cosmetics Co. • Malaysia • Size: US\$1 - 4.9 M 	SEGMENT <ul style="list-style-type: none"> • Pharma/cosmetics manufacturer • Serving: Global Market
TOP GROWTH AREAS <ul style="list-style-type: none"> • Halal certified ingredients • Rising popularity of local indie brands 	TOP GROWTH CHALLENGES <ul style="list-style-type: none"> • Sourcing quality halal certified ingredients within OIC countries • Halal awareness among Muslim consumers and healthcare practitioners • Seed funding and investment, especially in VC and PE space

"We need to broaden our focus on halal to also focus on the social aspect, i.e. safety, non-riba (usury) and ethical business practice, fair trade, etc."



<ul style="list-style-type: none"> • Manager, Publicly Listed Co. • Malaysia • Size: US\$100 - 500 M 	Segment <ul style="list-style-type: none"> • Pharma or cosmetics manufacturer • Serving: Global Market
Top Growth Areas <ul style="list-style-type: none"> • Halal certified ingredients • Halal innovation hubs • Joint ventures with companies in OIC countries 	Top Growth Challenges <ul style="list-style-type: none"> • Widely accepted/ recognized halal standards • Sourcing quality halal certified ingredients within OIC countries

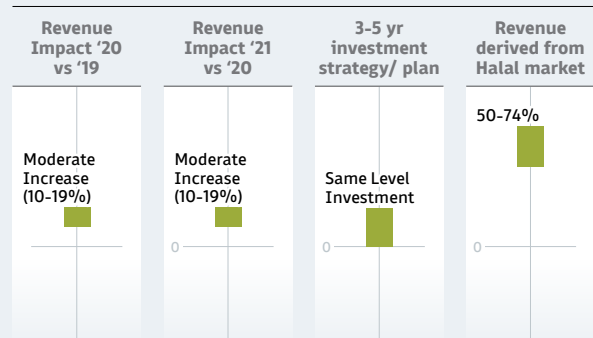
“Once the Halal pharma standard has been developed and approved at the SMIIC level, we foresee prospects of a stronger market. The standard is an essential tool to facilitate business interaction between OIC countries.”



ISLAMIC-THEMED MEDIA

<ul style="list-style-type: none"> • Director, Private Broadcasting Co. • Singapore • Size: US\$1 - 4.9 M 	SEGMENT <ul style="list-style-type: none"> • Broadcasting • Serving: Regional Market
TOP GROWTH AREAS <ul style="list-style-type: none"> • Children's content • Digital infrastructure development 	TOP GROWTH CHALLENGES <ul style="list-style-type: none"> • Investment from OIC investors • Digital infrastructure

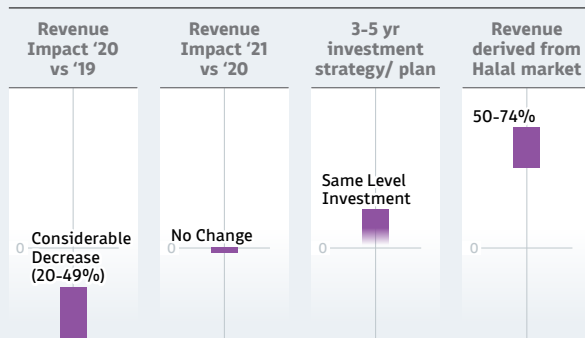
“The halal industry needs a to have its own halal advertising platform which focuses on providing halal/shariah compliant product/service advertisements, which can be targeted to both Muslims and non-Muslims.”



MODEST FASHION

<ul style="list-style-type: none"> • Owner, Clothing Wholesaler • UAE • Size: US\$5 - 9.9 M 	Segment <ul style="list-style-type: none"> • Wholesaler or agent • Serving: Regional Market
Top Growth Areas <ul style="list-style-type: none"> • Fashion niches like athletic wear • Targeting underserved Muslim-minority in Western markets • Modest fashion related services like modeling, stylists and advisors 	Top Growth Challenges <ul style="list-style-type: none"> • Fragmented markets • Limited private equity interest in Modest Fashion • Lack of modest fashion incubators/accelerators

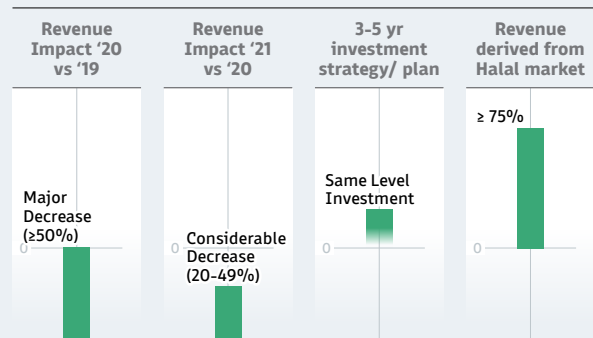
“The halal market is one of the most promising segments. What is required to reach its potential is more social media exposure and competitive pricing.”



MUSLIM-FRIENDLY TRAVEL

<ul style="list-style-type: none"> • C-Level Executive, Private Travel Co. • United Kingdom • Size: US\$1 - 4.9 M 	SEGMENT <ul style="list-style-type: none"> • Online Travel Agency • Serving: Global Market
TOP GROWTH AREAS <ul style="list-style-type: none"> • Digital transformation within the industry • Growth of domestic tourism 	TOP GROWTH CHALLENGES <ul style="list-style-type: none"> • Absence of unified standards and terminology • Funding challenges • Limited awareness among OIC countries

“Opportunities are high in this market for data driven companies. Data is the lifeblood of successful companies. Market players can scale by using digital consumer data for insights, targeting, and personalization.”



Gen Z and Millennial Perspective of The Islamic Economy

■ Millennial ■ Gen Z

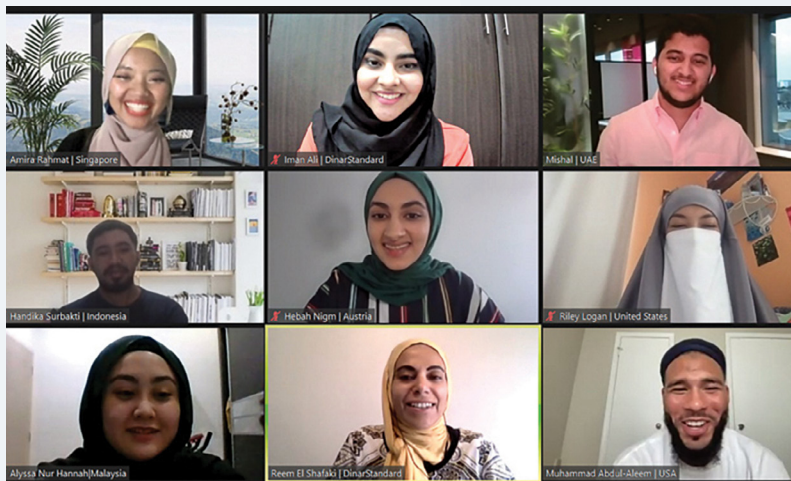
COVID-19 HAD VARYING IMPACTS ON THE YOUNGER GENERATION

For Millennials (also known as Gen Y) aged 25-40, COVID-19 will be the second recession they have experienced after the 2008 Global Financial Crisis. While this is the first crisis for Generation Z (also known as Gen Z, iGen, homelanders, or post-millennials), who are currently aged 16-24. Collectively, these generations are spending more on consumer goods than they did pre-COVID-19. For instance, in the US, Millennials and Gen Z spending has increased by 125% since pre-COVID-19.⁴⁶

Accounting for almost 46% of the global population (2019),⁴⁷ businesses worldwide are adapting to the evolving needs and expectations of Millennials and Gen Zs. Introducing mobile commerce for selling products, using social media to reach younger people, and offering sustainable and ethically produced products are some strategies businesses have been using to attract the young generation.



FOCUS GROUP DISCUSSION WITH GEN Z AND MILLENNIAL INFLUENCERS



DinarStandard held a focus group discussion with these young, enthusiastic Muslim influencers to hear their views on the Islamic economy. This special feature on Gen Zs and Millennials presents the views of select global, active influencers/micro-influencers on the halal economy. Each sector chapter in this report captures their views, including their shopping and spending habits and challenges, in addition to suggestions for the halal industry. Their rich perspectives will help industry players evaluate the needs of this growing, crucial demographic segment.

STRUGGLES OF YOUNG MUSLIMS

When asked about what they struggle with at work or school/college, in terms of being a Muslim, the respondents based in non-Muslim countries found it challenging to fulfill religious obligations, such as offering the Friday prayer (Jummah) on time during work, or fasting during summer months in school during the month of Ramadan. The other commonly shared challenge was socializing and fitting in, such as avoiding conversations that are against their religious morals. Discrimination when applying for jobs is also experienced by the young Muslim generation.

“Sometimes, it was really hard this year to be fasting while also studying for exams and trying to keep up with everything at school. It’s rare that they accommodate for people.”

Riley Logan
USA, Gen Z

“In Singapore, what I struggle with sometimes is the unspoken discrimination when applying for jobs, given I’m visibly Muslim. They would ask if you speak Mandarin, for instance, and I feel like it’s not fair.”

Amira Rahmat
Singapore, Millennial



PHOTOS: UNSPLASH

THERE ARE OTHER MAJOR ISSUES THE WORLD IS FACING NOW



For the young respondents, COVID-19 is a major issue. However, they believe there are other global issues as well that are greater than the pandemic, such as human rights, climate change, and self-confidence.

“Muslim Lives Matter. Muslim rights in China, Palestine, Somalia, Burma, and others around the globe. Just human rights. I think that’s a bigger issue than COVID-19.”

Muhammad Abdul-Aleem
USA, Millennial

“I feel COVID-19 is preventable, and you can do things to fix it. But there are other issues that are becoming difficult to fix, like climate change or human rights issues. Yes, COVID-19 is serious, but there are other issues as well that are much more deadly, and we should work to fix them too.”

Riley Logan
USA, Gen Z

“Self-confidence. There might be a kind of resistance to being able to speak up or stand for oneself. And there might be a point where people are just going with the flow and not being able to speak for themselves and self-promote themselves where they deserve to.”

Mohammed Mishal
UAE, Gen Z

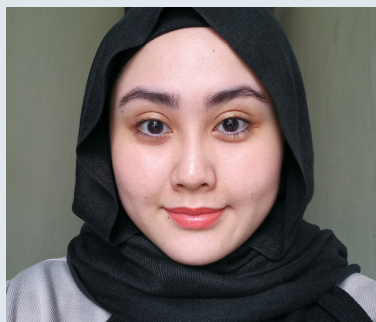
Meet Our Millennial and Gen Z Respondents

■ Millennial ■ Gen Z



"Loves to create Islamic content that educates and brings joy."

Muhammad Abdul Aleem
@hoopfinesse
 USA, 33



"Loves discussing topics that are preferred to be swept under the carpet by society or considered taboo."

Alyssa Nur Hannah Binti Norjorizwan
@alyssahnnh
 Malaysia, 21



"Young Islamic Economist and Youth Development Strategist, currently a director of YIEA Institute and a Senior Officer at Indonesia Sharia Fintech Association."

Mhd Handika Surbakti
@urbansufism
 Indonesia, 27



"A Singaporean cabin crew member sharing the Muslim narrative through travel."

Nurul Amira Binte Rahmat
@asingaporeanabroad
 Singapore, 28



"I help people create lasting impact."

Mohammed Mishal
@Mikk_007
 UAE, 24



"On 'Hebah's Rollercoaster,' I take you on a ride to explore different languages & language learning, cultures, religion and identity."

Hebah Nigm
@hebahsrollercoaster
 Austria, 26



"A revert to Islam. A lot of her content is about modest fashion."

Riley Logan
@rologirl
 USA, 21

46. Jennifer Surran, *Gen Z Is Now Spending More Than It Did Before the Pandemic*. Bloomberg. June 4, 2021.

47. *The Impact of Coronavirus on Millennials and Generation Z*. Euromonitor International. May, 2020.



HALAL FOOD





SHUTTERSTOCK

The global halal food value chain has been jolted by COVID-19 pandemic-related supply chain disruptions. As a result, food security has become a headline issue across the major halal food-importing markets, compounded by extreme weather events. Food inflation—rising by up to 40% globally—along with supply chain disruptions, have exacerbated food insecurity.

T

he top four halal food-exporting countries have had major supply chain disruptions given the impact of the COVID-19 pandemic, resulting in the need for OIC countries to increase self-sufficiency and strengthen intra-OIC trade.

The OIC has been proactive, with the Islamic Organization for Food Security (IOFS) identifying 16 food security programs, including establishing the Islamic Food Processing Association, a Grain Fund, a Gene Bank, and a Food Security Reserve initiative.

There has equally been a flurry of inter-OIC trade deals. Major trade agreements, such as the African Continental Free Trade Area, which will eliminate most import tariffs, are expected to be major lifelines for more equitable food distribution.

Investments in expanding food production have continued at a rapid pace, driven in part by the focus on localized farming, production, and food processing. Saudi Arabian food giant Almarai is investing US\$1.76 billion to double its poultry market share, while Brazilian meatpacker BRF is investing US\$7.2 million in a new Saudi facility. Further afield, the US-based Tyson Foods acquired 49% in the Malayan Flour Mills' poultry business for US\$104 million.

In halal food, the Middle East and Malaysia have been particularly active, while Nigeria has also seen significant investments, including the public-private partnership with OneAgrix, a global B2B agriculture, and halal marketplace.

There has also been activity in non-Muslim majority countries, with investments in halal food companies, ingredient manufacturers, and halal fast-food chains growing internationally.

Meanwhile, food tech has attracted significant attention, with Nigeria launching Africa's first agricultural electronic center to develop climate-smart farming. Dubai launched the Food Tech Valley, a specialized zone hosting a farming R&D facility, while the Gulfood exhibition continues to connect manufacturers with the latest technological developments in the sector.

Technology is also being harnessed for traceability and logistics, while satellite monitoring of crops is gaining momentum – an important development for takaful (insurance) companies insuring crops. The digitalization of food retailing and restaurants has also been spurred by the pandemic. Blockchain is also being utilized to ensure the origins of food, notably meat, following a number of scandals worldwide. Malaysia's Malakat Ecosystem has developed the world's first halal blockchain network for tracing the origins of imported beef.

Regulations have become tighter and more stringent across the food supply chain, while halal standards have also been bolstered in several countries. The OIC's Standards and Metrology Institute for the Islamic Countries (SMIIC) introduced an international halal supply chain management system standard.

Muslim spend on halal food was valued at US\$1.27 trillion in 2021 and forecast to reach US\$1.67 trillion by 2025.



Halal food

Represented by **\$1.27 trillion** of spending by 1.9 billion Muslims on food & beverage (2021 est.)

ALL FIGURES
IN US DOLLARS

\$200 billion
of food and beverage imports
by OIC* countries
(2020)

● Top 5 halal food consumer markets (2021)

▶ Top 5 countries exporting to OIC (2020)

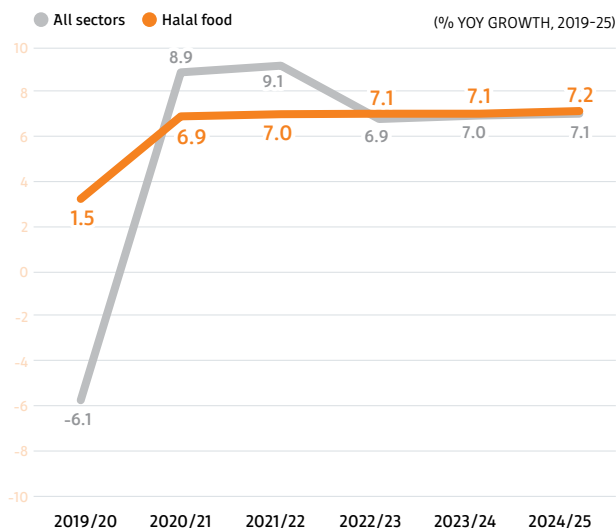
The thickness of the lines is proportional to the value of the country's exports

*All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Halal food imports by OIC are based on ITC Trademap 2020 data. Projections are baselined on data from IMF Outlook from April 2021. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology.
OIC: Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.

COVID-19 Impact Projections

Projected 4-year CAGR of 7.1% (2021/25) reaching \$1.67 trillion by 2025

Global Muslim spend on Food versus all halal products & lifestyle sectors



Investments

Halal food tech platforms (such as online delivery apps and cloud kitchens) will continue to generate investments.

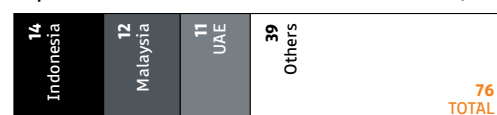
\$3.97 billion
in halal-related food sector
investments 2020/21*

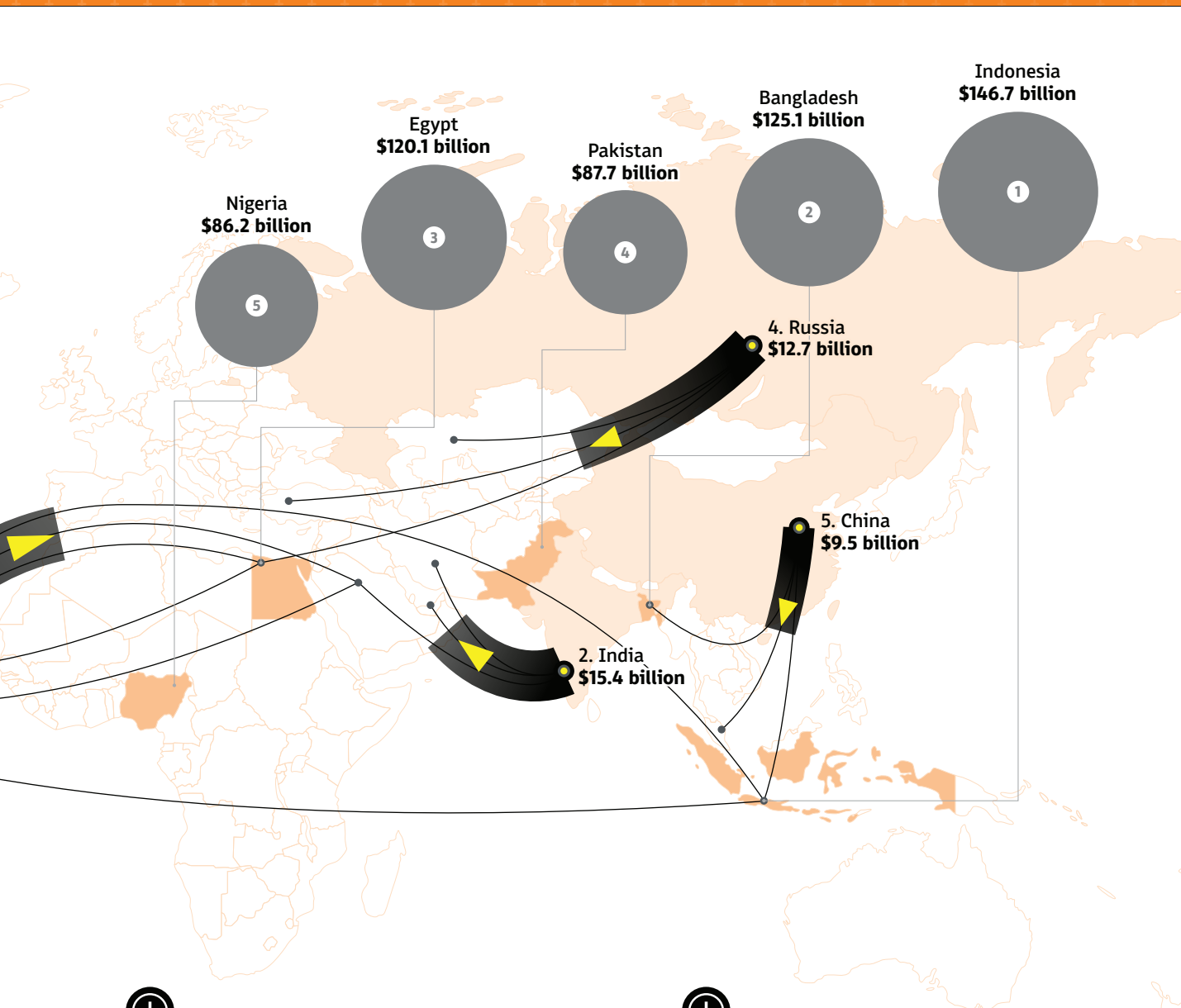
Turkish on-demand delivery service Getir received series B, C and D funding in 2021

German food delivery service Delivery Hero acquired UAE online grocery platform Instashop

DEALS

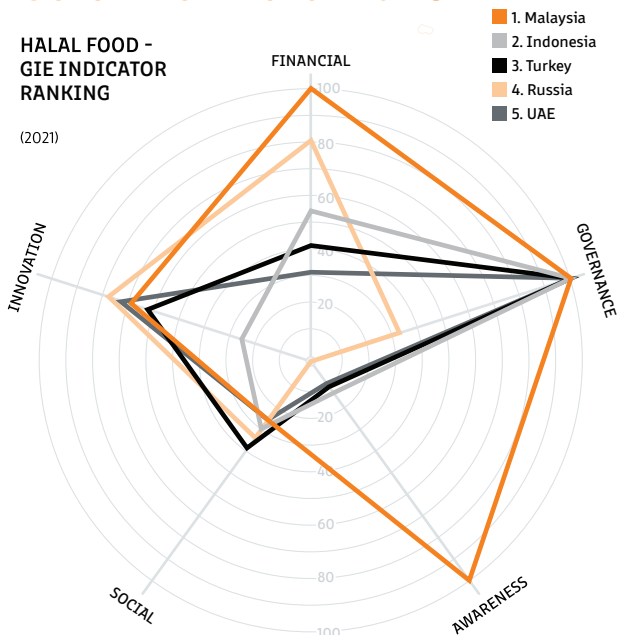
Top countries with # of related deals in 2020/21





Government Benchmarks

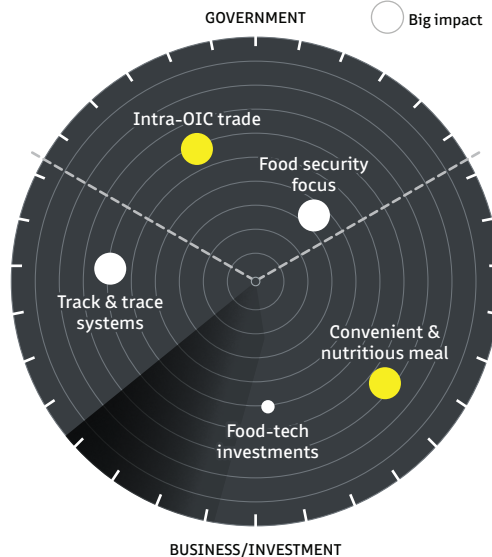
HALAL FOOD - GIE INDICATOR RANKING (2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact





We are proud to partner with UNICEF USA to bring an end to the global COVID-19 pandemic. Addressing vaccine hesitancy will be critical to a successful campaign to end the pandemic, and UNICEF is doing the important work of building trust and acceptance of vaccines around the world. IFANCA is committed to a long-term partnership with UNICEF USA to advance health equity globally.”

DR. MUHAMMAD MUNIR CHAUDRY

IFANCA PRESIDENT

**A partnership to help end the COVID-19 pandemic
and strengthen health systems.**

UNICEF does not endorse any company, brand, product or service



“

UNICEF USA is incredibly grateful to IFANCA for this partnership. IFANCA's support is crucial in the race to end the global pandemic through delivering treatments, tests, and vaccines equitably. Together with our partners on the ground, we are also engaging communities to bring reliable vaccine information to parents, caregivers, and educators based on facts and science.”

LESLIE GOLDMAN

VICE PRESIDENT, GLOBAL CAUSE PARTNERSHIPS,
UNICEF USA

2020/2021 Developments

Revenue/Investment Developments

LATEST PROJECTIONS

Muslim spend on food increased by 6.9%, from US\$1.19 trillion in 2020 to US\$1.27 trillion in 2021, with Indonesia, Bangladesh, and Egypt ranked as the top three countries, retaining their positions from last year. A CAGR of 7.1% is expected between 2021 and 2025, with Muslim spend estimated to reach US\$1.67 trillion by 2025.

Note: This does not represent the actual value of 'halal-certified' product consumption. Rather, it represents the total addressable Muslim consumer market spending in the food sector.

INVESTMENTS' SUMMARY

In 2019/20, deals related to halal food accounted for 51.86% of all deals. This proportion decreased to 15.5% in 2020/21. The total deal value decreased by 35% to \$3.97 billion from \$6.3 billion in 2019/20. Food technology companies are still seeing the most investment since the significant growth seen on such platforms since the pandemic.

Country	Deal Type	Sub-Vertical	Organization Name	Deal Value (US\$000s)
Turkey	Private Equity	Delivery Service, eCommerce, Grocery, Logistics, Mobile Apps	Getir	555,000
UAE	Private Equity	Cloud Infrastructure, Delivery, Food and Beverage, Food Delivery, Restaurants	Kitopi	415,000
UAE	Merger/Acquisition	Consumer Goods, eCommerce, Grocery, Marketplace, Mobile, Mobile Apps, Retail	InstaShop	360,000
Turkey	Private Equity	Delivery Service, eCommerce, Grocery, Logistics, Mobile Apps	Getir	300,000
UAE	Merger/Acquisition	Food	Bayara Holding	260,000

M&A and organic expansion into halal markets is continuing despite the pandemic

The Middle East remains an attractive market for the FMCG and foodservice segments

- Saudi Arabia's C3, which operates restaurants, culinary centers, ghost kitchens, and a mobile delivery service worldwide, is investing US\$200 million to open 500 outlets in the next five years through a joint venture with investment group WK Holding.¹
- Sainsbury's, one of the UK's largest retailers, will launch over 12,000 FMCG products in the Middle East and Africa through a new operations hub at Oman's Sohar Port.²
- The Royal Thai embassy partnered with leading Emirati and Saudi retailer LuLu to organize the Thailand Halal Food Festival 2021 and promote more than 500 Thai products in Lulu stores.³
- US fast-food chain Chuck E. Cheese will be opening 50 stores across the Middle East with 25 new stores

in Saudi Arabia.⁴

- Oman's first and the region's largest integrated meat project and food security initiative, Al Bashayer Meat Factory, launched its first retail red meat brand, 'Bushra'.⁵
- Saudi Arabia's Savola Group acquired snack and ingredients manufacturer Bayara Holding Ltd, which operates in the UAE and Saudi Arabia, for US\$260 million.⁶
- UAE's Agthia Group acquired majority stakes in Egyptian and Jordanian meat product companies Ismailia Investments and Nabil Foods, as well as Kuwait's Al Faysal Bakery and Sweets.⁷
- Saudi's Almarai acquired the UAE and Bahrain operations of UAE's Bakemart and an additional 15% stake in local bakery business Modern Food Industry for US\$40 million.^{8, 9}

Ready-to-eat meals, healthy plant-based products, and alternative proteins are in demand



- Singapore's Kimly Group, a foodservice operator, agreed to acquire 75% of halal foodservice business Tenderfresh for US\$40.7 million as the company seeks to expand into the region's halal market.¹⁴
- Malaysian company F&N acquired three local F&B companies, Sri Nona Food Industries, Sri Nona Industries, and Lee Shun Hing Sauce Industries, known for their range of rice cakes and oyster sauce, for US\$14.5 million.¹⁵
- US-based fresh food delivery company GrubMarket acquired wholesale halal and ethnic food supplier Jana Food to expand into the Dallas-Fort Worth area.¹⁶

Food security remains a prime focus area as the pandemic hits food supply chains

Conflict, weather extremes, and economic shocks have led to inflation and acute food shortages globally, leaving OIC countries more food insecure

- Nearly 80% of Bangladeshi households had to cut down on food expenses while rising feed costs led some poultry farms to close.^{17 18}
- Pakistan is importing wheat, sugar and essential commodities as heavy rains, pest attacks, and locust invasions have destroyed crops.¹⁹
- Nigeria's government has asked for immediate FDI into agriculture as 230 million people in Sub-Saharan Africa are battling chronic food insecurity.^{20 21}
- The OIC's Islamic Organization for Food Security (IOFS) will be implementing 16 food security programs comprising the development of key commodities and establishing the Islamic Food Processing Association (IFPA), a Grain Fund, and a Food Security Reserve.²²

Malaysia's food sector is attracting foreign investment

- US-based meatpacking giant Tyson Foods acquired a 49% stake in the Malayan Flour Mills' poultry business for US\$104 million.¹⁰
- US-based Johnsonville LLC acquired Malaysian B2B processed meats company PrimaBaguz.¹¹
- Brazil's BRF will invest US\$7.2 million in its newly acquired Saudi facility, Joody Al Sharqiya, to quintuple capacity for meats, value-added processed food, and plant-based food production.¹²

Companies are expanding into the halal market via acquisitions

- Germany's Gelita AG has acquired 65% of the shares in a joint venture with Turkish halal-certified gelatin producer Seljel.¹³

Food security is driving investment in industrial capabilities in the Middle East

- Saudi food giant Almarai will invest US\$1.76 billion to double its poultry market share in the Middle East.²³
- Saudi Arabia's Tanmiah Food Company, which has a 17.6% share of the country's poultry market, is to double production over the next five years after listing 30% of the company on the Saudi stock exchange.²⁴
- The UAE's Al Ain Farms will invest US\$20 million to take its dairy production capacity to 100 million liters. Meanwhile, Pure Harvest Smart Farms raised US\$60 million to expand across the Gulf region.^{25 26}
- Qatar's largest agricultural company, Baladna, will grow crops in Bulgaria and Romania to source raw materials for its growing local operations and for exports.²⁷



SHUTTERSTOCK

Above: People eating on the streets of Jakarta, Indonesia

Opposite page: UAE cloud kitchen platform Kitopi raised US\$415 million in Series C funding

Ready-to-eat meals, healthy plant-based products, and alternative proteins are in demand

Convenience continues to be an important growth driver during the pandemic

- Malaysia's frozen food giant Kawan Foods' net profit doubled in 2020 through strong domestic sales.²⁸
- UK's Halaloodies' online sales grew by 30% as its pre-cooked, and pre-flavored meats and protein proved highly popular.²⁹
- Brunei-UAE's joint venture, Saahtain, is rolling out plant-based ready-to-eat (RTE) meals at selected retail outlets and will export to Sweden.³⁰
- Malaysian halal-certified condiments company Care Food launched ready-meals including soups and noodles under the Asian Meals brand.³¹
- Saudi corporate-focused food subscription app Daily Mealz raised US\$2 million in a pre-series A round to expand into UAE and Egypt.³²
- Singapore charity Free Food for All has pioneered halal RTE meals that come in retort packaging with

flameless heat packs that can be heated without a heat source.³³

More halal-certified fast-food chains are opening up, especially in non-OIC markets

- ChickQueen, a popular international halal fried chicken chain with over 180 restaurants, announced its first Canadian outlet in Mississauga.³⁴
- US chain Halal Guys will soon double its footprint in the Midwest region.³⁵
- South Korean convenience store chain CU released two ready-to-eat meal packages made with halal-certified ingredients.³⁶

New products are being launched to meet the demand for halal-certified plant-based meat and milk

- UAE retailer Spinneys 'Power of Plants' initiative promoted vegan and plant-based foods on the back of 600% growth in plant-based product sales.^{37 38}
- UAE-based manufacturer Al Islami Foods launched a preservative-free plant-based 'beef' burger. The company also released a frozen paratha to expand the brand's portfolio.^{39 40}

- Nestlé's new plant-based manufacturing facility for its Harvest Gourmet brand in Selangor, Malaysia, will cater to the retail and foodservice sectors.⁴¹
- US-listed Beyond Meat will be launching Beyond Meatballs and Beyond Breakfast Sausage Links in the Middle East.⁴²

- Egyptian Juhayna Food Industries is launching plant-based products, including a full UHT plant-based milk range.⁴³
- UAE's Koita Foods will be targeting South Korea and Singapore for its new lactose-free and plant-based products.⁴⁴

Operational Developments

From agritech to food delivery, a number of halal-focused initiatives have been launched to optimize trade and supply chains

Solutions focused on building traceability and halal logistics are being developed to strengthen consumer trust

- To bolster exports, Indonesia is to launch an integrated halal product codification and trade data system by the end of 2021.⁴⁵
- The UAE's Majid Al Futtaim, the MEA franchiser of Carrefour supermarkets, is using IBM Food Trust, a blockchain-enabled platform on IBM Cloud.⁴⁶
- Malaysia's Malakat Ecosystem developed the world's first halal blockchain network for tracing the origins of imported beef.⁴⁷
- The Arab-Brazilian Chamber of Commerce launched the Ellos Blockchain platform to help build halal traceability and assurance into Brazilian exports.⁴⁸
- Singapore-based OneAgrix will launch a traceability solution for its platform in partnership with Switzerland's INEXTO, a cloud-based global tracking solution.⁴⁹
- In March, Japan's Nippon Express Co. launched a new halal-certified domestic air cargo transport service, expanding its domestic halal logistics services in Japan.⁵⁰
- Thailand's Chula Halal Science Center invented a test kit for manufacturers and consumers capable of detecting five forbidden meat DNA pieces in a single test.⁵¹

Cross-border and domestic B2B marketplaces launched to boost halal trade

- eCommerce platform Halal Street UK and Malaysia's Alliance Islamic Bank (AIS) signed an MOU to help Malaysian SMEs participate in the growing UK halal market.⁵²

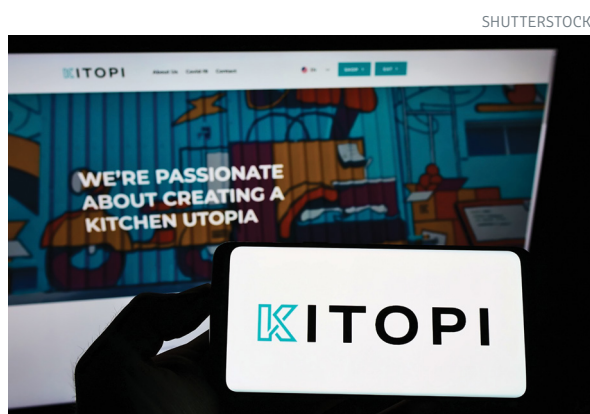
- The Nigerian government entered into a public-private partnership with OneAgrix, a global B2B agriculture, and halal marketplace, to bolster trade following the launch of the African Continental Free Trade Agreement.⁵³
- China's telecom giant Huawei and Malaysia's Aladdin Group signed an MOU to establish a technology service network for a global halal-focused cloud-based social commerce platform.⁵⁴
- Saudi Arabia's B2B FMCG marketplace Sary raised US\$8.1 million in a Series B funding round.⁵⁵
- Retailo, another Saudi B2B startup connecting retailers and suppliers across the MENA region and Pakistan, raised US\$2.3 million in a pre-seed round.⁵⁶

Agritech R&D centers and smart farms are being established to develop the farming sector

- FarmKconnect Agribusiness Nigeria launched Africa's first agricultural electronic center to develop climate-smart farming and precision agriculture.⁵⁷
- The Dubai government launched Food Tech Valley, a specialized zone hosting farming R&D facilities, smart logistics, vertical farming areas, and incubators.⁵⁸
- Agricultural company Sokovo is setting up a 100,000 square-foot hydroponic facility in the Dubai Industrial City to grow fruit and vegetables.⁵⁹
- Snacks giant Mondelez announced its first cocoa crop science center in Indonesia.⁶⁰

Cloud kitchens are thriving in Saudi Arabia and the UAE

- This year, leading UAE cloud kitchen platform Kitopi announced plans to open more than five kitchens in Jeddah, Saudi Arabia.⁶¹ The platform raised US\$415 million in Series C funding from investors, including Soft Bank and Abu Dhabi firms Chimera and DisruptAD.⁶² Another UAE-based cloud kitchen, iKcon, raised US\$20 million in Series A funding and will soon open four new kitchens in Saudi Arabia.⁶³
- Pakistan launched its first Kitchen as a Service (KaaS), Hotpod, which will start with three turnkey kitchens in Karachi.⁶⁴
- Saudi cloud-based F&B retail management system FOODICS raised US\$20 million in a Series B round to expand its market share and fintech offerings for F&B businesses.⁶⁵

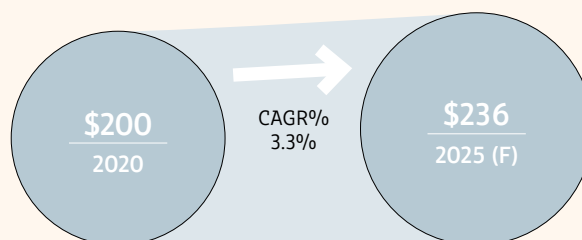


National and Trade Developments

The 57 OIC member countries imported around US\$200 billion in halal food⁶⁶ in 2020, a 4% drop over last year. But in 5 years, food imports by OIC countries are forecasted to grow at a CAGR of 3.3% to US\$236 billion. The COVID-19 pandemic has further exacerbated these issues, such as high import-dependency, weak supply chains, and food insecurity. Several OIC countries are now in the process of encouraging domestic manufacturing and shoring up food security.

OIC HALAL FOOD IMPORT AND GROWTH (2020-2025)

US\$ BILLION



Source: DinarStandard synthesis and analysis

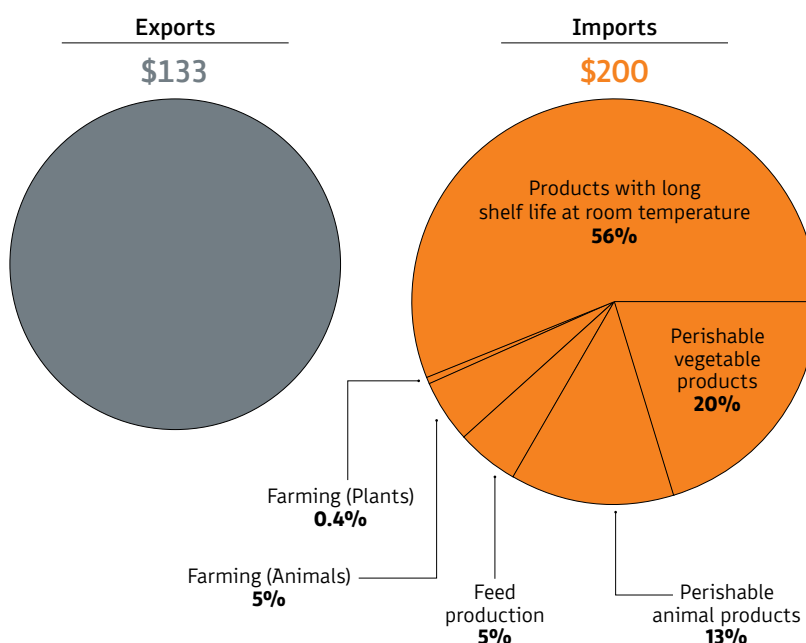
Trade Indicators – Major trade gap in food imports by OIC member countries:

A strong indicator of halal food volume demand and key markets can be obtained by gauging the sector's trade flow. The OIC countries exported US\$133 billion of halal food products in 2020 (9% of global exports). The US\$67 billion halal food trade deficits by OIC countries suggest significant dependence on non-Muslim majority markets globally. The top 4 halal food suppliers to OIC countries are non-Muslim majority markets (Brazil, India, the US, Russia), making up 29% of the global supply. These are also among the top 4 countries with the most COVID-19 cases (as of July 2021, WHO), entailing the need for OIC countries to increase self-sufficiency and strengthen intra-OIC trade.

The most in-demand products during the COVID-19 pandemic had a long shelf-life at room temperature (such as bakery products, soups, sauces, coffee, sugar, and salt). There was also high demand for healthy and fresh food, perishable vegetables, and fruits, which were imported by the OIC countries in large quantities (including oil seeds and nuts).

OIC Trade in Halal Food Breakdown

US\$ BILLION (2020 EST.)



Top Exporters to OIC of Halal Food

US\$ BILLION (2020 EST.)

Brazil	\$16.45
India	\$15.35
USA	\$13.22
Russia	\$12.74
China	\$9.54
Argentina	\$8.53
Indonesia	\$7.83
Ukraine	\$7.70
Turkey	\$7.41
France	\$6.14

■ OIC countries

Top OIC Importers of Halal Food

US\$ BILLION (2020 EST.)

Saudi Arabia	\$20.01
Indonesia	\$17.54
Malaysia	\$16.21
Turkey	\$14.10
Egypt	\$13.53
UAE	\$12.92
Bangladesh	\$8.17
Nigeria	\$7.71
Algeria	\$7.61
Iraq	\$6.96

Source: DinarStandard synthesis and analysis

Opportunities in the halal food sector and food security concerns are driving both new and existing bilateral trade relationships

The pandemic has forced OIC countries to double down on food security strategies

- Oman's agriculture ministry has urged farmers to diversify crop production and establish commercial fields to grow grapes, mangoes, bananas, and sweet lemons.⁶⁷
- Malaysia launched a National Agrofood Policy 2021-2030 to improve sustainability and adopt new agro-technology.⁶⁸
- Saudi Arabia's NEOM development project will build MENA's largest fish hatchery in partnership with Tabuk Fish Company with a production capacity of 70 million eggs.⁶⁹
- The state government of Lagos, Nigeria, launched a five-year plan to generate investments of US\$10 billion in the agriculture sector.⁷⁰ Lagos will also launch an aquaculture center of excellence, including a 50 million fish hatchery facility.⁷¹
- Jordan is hosting its first virtual exhibition for food industries in November 2021 to employ new technologies and address supply chain challenges posed by the pandemic.⁷²

OIC countries entered into bilateral trade agreements to build food security

- Egypt and South Sudan will work together on agricultural capacity building and establishing integrated farming of crops, livestock, and fish in South Sudan.⁷³
- Indonesia invited Malaysian companies to help build the halal products industry in both countries, especially in agro-business and agritech.⁷⁴
- The UAE-India Food Security Summit agreements will increase Indian food exports to the UAE. US\$5 billion in investments has been attracted for the proposed UAE-India Food Corridor, with tech platform Agriota linking farmers in India with the UAE food industry.⁷⁵
- Ireland and Jordan participated in a webinar to explore trade in food processing and agriculture.⁷⁶
- The UAE and Israel will collaborate on cell and plant-based food tech, agritech, and trade.⁷⁷
- Pakistan has set a target for olive oil production of 16,000 tons by 2027 from the current 1,400 tons.

Intra-OIC Halal trade is seeing increased growth

- The Kazakhstan government and Malaysian eCommerce company Aladdin will cooperate on building bilateral trade through the Aladdin platform.⁷⁸
- Bangladesh has proposed increasing intra-OIC trade and contract farming among OIC members in Africa.⁷⁹
- Egypt announced promotional events with Uganda as it seeks to double its food exports to Africa.⁸⁰
- Malaysia held talks with Afghanistan to double palm oil shipments and accelerate palm oil exports and other commodities to the Middle East and Central Asian countries.⁸¹
- Malaysia and Indonesia committed to working together to combat international discrimination against palm oil.⁸²

- In their first foreign office trade consultations, Bangladesh sought access to Indonesia's halal trade and investments in agro-processing.⁸³

More non-OIC countries are looking to tap into the halal food trade

- Mexico is looking to revive its halal meat exports with Indonesia and Singapore.⁸⁴
- Taiwan and Brunei signed an MOU to develop bilateral trade and explore investment opportunities in the halal economy.⁸⁵
- Morocco's export association ASMEX, Russia's national Muslim organization, and the Eurasian Development Fund agreed to develop long-term halal trade partnerships.⁸⁶
- South Korea held its Halal Food Festival with Egypt via a joint video conference.⁸⁷
- Malaysia's Halal Development Corporation will collaborate with Russia, Taiwan, and Senegal, among others, to develop and strengthen their halal capabilities.⁸⁸
- Indonesia and the Philippines are set to sign an MOU for trade facilitation and halal goods certification.⁸⁹



Woman selling pepper in Abeokuta, Nigeria

MARKUS SPISKE/UNSPASH

Government policies restricting halal slaughter are on the rise

- After an EU ruling allowing a ban on stun-free animal slaughter, France introduced new halal slaughter policy changes beginning July 2021 that will reportedly restrict halal slaughter volumes.^{90 91}
- The Polish government scrapped a bill banning kosher and halal meat production but announced it would introduce a new one.⁹²
- The UK government will launch a consultation on introducing labeling indicating stunning for meat.⁹³
- The Indian government red meat export manual dropped mentions of halal slaughter, indicating animals are slaughtered according to importing country requirements.⁹⁴

Ecosystem Developments

With the sector maturing, halal regulations are becoming tighter and more stringent

New halal regulations have been introduced

- The OIC's Standards and Metrology Institute for the Islamic Countries (SMIIC) introduced an international halal supply chain management system standard, OIC/SMIIC 17:2020, covering transportation, warehousing, and retailing.⁹⁵
- Indonesia made significant revisions to its Halal Product Guarantee Law No. 332014 to speed up, simplify and clarify processes, reduce processing time and facilitate certification for micro and small businesses.⁹⁶
- The Saudi Food and Drug Authority (SFDA) will require halal certification for five imported food categories—milk and dairy, oil and fats, confectionery, chilled and frozen food, and long shelf-life products—as of 1 January 2022.⁹⁷
- After a long wait, Pakistan established its Halal Food Authority, which specified that halal certificates would be required for certain categories of food imports.⁹⁸
- Tanzania's newly established Halal Bureau is seeking recognition from other bodies to provide universal certification.⁹⁹

The Indonesian government and halal authority are taking various steps to fortify the halal food ecosystem

- The Indonesian government held digitalization and capacity building online training for MSMEs battling pandemic-driven financial losses.¹⁰⁰
- A new halal information system was introduced, incor-

porating all halal procedures and programs integrated with halal marketplaces, apps, and e-money providers. Codified and digitized halal certificates will help track value and volume information on halal products.

- Indonesia's halal certifier is preparing to implement the anti-bribery management system ISO 37001 after past allegations of corrupt practices.¹⁰¹

Halal meat fraud allegations in Malaysia have spurred regulatory reform

- Malaysia was rocked by allegations of a cartel carrying out halal meat fraud and bribing government officials. Consumer groups urged process reviews and the introduction of a Halal Act for stringent halal law enforcement. Amid other assurances, the government announced the launch of Standard Operating Procedures (SOPs) for halal product certification and plans to revive the Malaysian Halal Council (MHC) as an umbrella body to oversee policy development and execution.^{102 103 104 105}
- The halal authority, JAKIM, announced its compliance with ISO/IEC 17065:2012 accreditation, formalizing its operating procedures to be competent, consistent, and impartial.^{106 107}

Social Impact Developments

Halal food companies are developing initiatives for sustainable sourcing and manufacture

- Nestlé Middle East's Al Maha factory in Dubai is the world's largest private solar plant, with energy production equaling 85% of its annual electricity consumption.¹⁰⁸
- Abu Dhabi launched the US\$15 million XPRIZE Feed the Next Billion with Saudi Prince Khaled bin Alwaleed to find sustainable, nutritious alternatives to traditional proteins.¹⁰⁹
- UAE's Agthia Group has opened a new packaging technology center in Al Ain with the aim of developing innovative and sustainable weather-proof packaging.¹¹⁰
- Qatar's Gulf Biotech, an industrial biotech investor, has signed an agreement with Unibio to produce sustainable and organic fish feed protein from natural gas using a fermentation process.¹¹¹

Islamic organizations, governments, and halal bodies have supported Muslims during the pandemic

- The Islamic Food and Nutrition Council of America (IFANCA) provided UNICEF with a US\$3 million grant to support its access to COVID-19 Tools Accelerator.¹¹²
- Qatar donated US\$100 million to support food security in war-ravaged Yemen.¹¹³
- China donated US\$1 million for food assistance to Palestinian refugees in Gaza.¹¹⁴
- Islamic Relief Worldwide distributed Ramadan food packages to more than one million people in over 30 countries.¹¹⁵ The OIC's Islamic Organization for Food Security developed a halal food plan to ensure the nutritional needs of Muslims are met worldwide.¹¹⁶

SIGNALS OF OPPORTUNITIES

Agriculture and farming are seeing heavy investments from the public and private sector

The threat from broken supply chains and a scarcity of raw materials is driving investments in crops, poultry, meat, and aquaculture.

Investments in agritech and food tech are on the rise

Food security concerns are spurring investments in agritech, agribusiness, and biotech to ensure that farms and land are more productive and biosecure. Food tech, such as cloud kitchens and restaurant management, is also on the rise.

Intra-OIC trade is on the rise

Trade between OIC countries is a top agenda item, bolstered by new free trade deals such as in the African continent, while other collaborations are happening between countries to strengthen halal trade and food security.

Track and trace systems are being leveraged to bolster trust

Halal food companies, retailers, and OIC countries are increasingly using track and trace systems, including blockchain, to improve traceability, enhance consumer trust and monitor halal imports amid fraud allegations.

Consumers are looking for convenient, nutritious, and alternative proteins

The pandemic has led to higher sales of ready-to-eat products. Companies like Malaysia's frozen foods leader Kawan Food increased M&A activity in ready meals. Healthy food and alternative proteins are seeing similar growth.

Strategic Considerations by Stakeholder

Overview

The pandemic and extreme weather conditions have pushed OIC countries to be more determined on food security issues amid globally rising food prices. This has ranged from increased investment in agricultural production to growing adoption of technology, such as in smart farms and biotech. Increased intra-OIC trade is set to negate some challenges. New players continue to enter the halal

food sector, whereas mainstream brands are getting more products certified. OIC countries are also increasingly requiring food imports to be halal certified as the overall sector matures. The halal food sector continues to gain ground in non-Muslim majority countries, signaling significant opportunities for stakeholders.

Investors

The pandemic has opened up opportunities in agriculture, farming, and food tech

OPPORTUNITIES

1

The government-backed push for food security will lead to more opportunities in farming, agriculture, and secondary processing.

Due to the pandemic and climatic change, disrupted supply chains have forced OIC governments to invest heavily in dairy, poultry, and staple crops; however, their food sufficiency targets have not yet been achieved. Downstream sectors such as food processing will also grow with the increased focus on local production.

Relevant Developments & Precedents

- Saudi Arabia has achieved 60% of poultry self-sufficiency, with its target being 80% by 2025. The country is planning new production projects in the poultry, vegetables, and fish sectors.
- Nigeria is looking to generate US\$10 billion in investments in the agriculture sector over the next 5 years.

Potential Outcomes by 2030

- OIC countries can improve self-sufficiency by 25 to 50%.

2

Convenience is driving demand for ready-to-eat meals and deliveries.

Halal fast-food chains and ready-to-eat meals in non-OIC markets are seeing increased growth as consumers opt for food delivery, speed, and convenient eating at home.

Relevant Developments & Precedents

- Singapore's Kimly Group announced the acquisition of a 75% stake in halal foodservice business Tenderfresh for US\$40.7 million.
- US fast-food chain Chuck E. Cheese will be opening 50 stores in the Middle East with 25 new stores in Saudi Arabia.

Potential Outcomes by 2030

- Halal-certified fast-food chains will become more prevalent in both OIC and non-OIC countries.

CHALLENGES

1

The investment ecosystem for food-tech startups is not yet mature in most OIC countries.

While food tech is a rapidly growing investment opportunity in countries such as the UK, France, Germany, and Singapore, with the exception of the UAE and Malaysia to an extent, few OIC countries have the investment ecosystem needed to incubate startups in this space.

Risk

- With the pandemic ongoing, the HORECA sector is still in the doldrums. With people not eating out as much as in the past, it will be difficult for the sector to recover without significantly developing food tech.

“Halal products demand is on the rise but the supply chain is trailing behind. Significant investments are needed to boost the halal supply chain capacity and capabilities.”

Ahmad Adam, President and CEO, Crescent Foods, US

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Governments

Investment in agriculture technology and cross-border eCommerce platforms

OPPORTUNITIES

1

Investments in biotech, smart farms, and agritech with a focus on sustainable and resilient crops.

Climate change and supply chain disruptions are threatening crop production and are causing a spike in food prices worldwide. Increasing productivity in agriculture through technology and higher yields through climate-resistant crops are needed to secure downstream supply chains.

Relevant Developments & Precedents

- Exports of an insect-resistant variant of cowpea could generate US\$638 million in revenues for Nigeria in six years.¹¹⁷
- The UAE signed an agreement with Israel to build capacity in agritech, plant-based, and cell-based food.

Potential Outcomes by 2030

- Productivity of current agricultural land could double.

2

OIC cross-border and domestic agribusiness and eCommerce marketplaces are a multi-pronged opportunity.

Platforms that connect livestock and vegetable farmers with manufacturers, wholesalers, and retailers both locally and cross-border can help governments ensure the development of rural and agricultural areas while strengthening supply chains and reducing food wastage.

Relevant Developments & Precedents

- The Kazakhstan government and Malaysian eCommerce company Aladdin are bolstering trade through the Aladdin platform.
- The UAE launched the Agriota platform to connect Indian farmers to UAE's food processing companies, traders, and wholesalers.

Potential Outcomes by 2030

- Import-dependent countries can become leading food producers and exporters through strategic linkages.

CHALLENGES

1

Climate change is impeding food security efforts.

While countries such as the UAE and Saudi Arabia are focusing on developing the poultry and agriculture sectors, the increasing need for water, extreme weather events, and rising temperatures threaten further progress. OIC countries need to mobilize efforts to fight climate change while also securing trade partnerships with countries rich in natural resources.

Risk

- A significant portion of food security efforts can be rendered futile if immediate action is not taken to address these issues.

“Sustainability is a matter of survival. Water is going to be scarce, populations are increasing, and we definitely need everything available, from smart farms to biotech, to any technology that helps in the years to come.”

Aaly Maghrabi, Chairman and CEO, MAM Food Company, UAE

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Special LED lights
belts above an
aquaponics system

BRUKSBERROW/PEXELS

Businesses

The demand for healthy and nutritious meals and sustainably sourced proteins is shaking up the consumer market

OPPORTUNITIES

1

Convenience continues to dominate food trends, especially in the processed meats and poultry segment.

Ready-to-eat, ready-to-cook, frozen foods and recipe boxes are still seeing significant demand from consumers as the pandemic has led to more people working and eating at home.

Relevant Developments & Precedents

- Halaloodies, the UK's largest premium halal food producer, saw a 30% increase in online sales, with its pre-cooked meats and protein snacks being the most popular.
- US-based Johnsonville LLC acquired PrimaBaguz, a B2B manufacturer of halal meat products, including sausages, cold cuts, and meatballs.

Potential Outcomes by 2030

- If the trend becomes a permanent shift, sales of fresh and chilled meat will drop significantly.

2

Alternative, sustainably sourced proteins are the need of the hour.

The surge in feed prices has impacted poultry farming even as the demand for poultry is becoming unsustainable. With many OIC countries being largely dependent on imports of natural proteins and with climate change threatening production, there is a need for alternative proteins, whether plant-based, fermentation-based or insect-derived, which are nutritious and derived from sustainable sources.

Relevant Developments & Precedents

- Abu Dhabi launched the US\$15 million XPRIZE Feed the Next Billion for alternative sustainably sourced nutritious proteins.
- Perfect Day, a producer of fermentation-based alternative milk, has raised more than US\$300 million in funding.

Potential Outcomes by 2030

- Alternative proteins and natural proteins are equally preferred.

CHALLENGES

1

The surge in raw material prices and longer lead times due to disrupted supply chains are squeezing margins across the food industry.

Extreme weather events, shrinking raw material supplies, and the shortage of shipping containers along with pandemic restrictions on the market have led to a surge in prices, exerting severe pressure on margins.

Risk

- With little coordination between governments in fighting the pandemic, varying rates of recovery across countries and regions, and the uncertainty surrounding the pandemic, businesses may be forced to close if the status quo remains.

“As the Muslim population and income levels rise, the demand for halal food will rise, but there are growing concerns over health/obesity and environmental concerns so companies need to bear these in mind.”

Rizvan Khalid, Managing Director, Euro Quality Lambs, UK



Gen Z & Millennial Perspective

on

Halal food

■ Millennial ■ Gen Z

My Views

WHEN DO YOU CONSIDER FOOD TO BE HALAL?

"Whatever food is presented to me, I'm going to say 'Bismillah' (in the name of God) and eat it, whether it's from a Muslim, Christian, or Jewish person. Now, if I know exactly where the meat came from or how the meat was slaughtered, then I won't eat it if it's not slaughtered according to the Qur'an and Sunnah. But otherwise, I don't ask questions. I say thank you and 'Bismillah'."

Muhammad Abdul-Aleem
USA, Millennial

"I consider food to be halal where there is a halal logo since the halal certificate and logo is quite reliable in my country. And secondly, it must be clean, of course, because you can't claim it to be halal when it's impure. And lastly, it should also be ethically made. For instance, no exploitation of workers or forced child labor should be involved."

Alyssa Nur Hannah
Malaysia, GenZ

"Whatever food is presented to me, I'm going to say 'Bismillah' (in the name of God) and eat it, whether it's from a Muslim, Christian, or Jewish person"



@HOOPFINESSE

COVID-19 Shopping Habits

WHAT WERE THE TYPES OF FOOD PRODUCTS YOU BOUGHT ONLINE? WHICH PRODUCTS DID YOU CONTINUE BUYING FROM THE STORE?

"I don't often buy things online. And usually, the things that I buy online are not food-related, but products like cosmetics or clothes. If I buy food online, it's more from home-based businesses."

Amira Rahmat
Singapore, Millennial

"My response is similar to Amira's. I don't really buy food online unless it's something that's not available. I usually buy clothes and accessories like headscarves, because here in Austria, we just don't have stores that have modest clothing. In terms of food, I love the maple syrup from Canada, and it just does not taste the same here. So that's really the only food product I would buy online."

Hebah Nigm
Austria, Millennial

Challenges

IF YOU LIVE IN A NON-MUSLIM COUNTRY, WHAT CHALLENGES DO YOU ENCOUNTER WHEN YOU WANT TO BUY HALAL FOOD?

"It depends on which part of the country you live in. The closest store that has halal food is over an hour away from my house. If you go to cities like Chicago or Detroit, it's very accessible. But where I live, and in probably most parts of the country, it's barely accessible. And that's why I hope to go to a grad school, so I am around other Muslims as well."

Riley Logan
USA, Gen Z

"What's kind of difficult here in Austria, but I found it a bit easier in the US and Canada, is that you cannot be sure if there are Muslims working in a restaurant, or if anything is halal there. As a Muslim, it is quite difficult to eat meat at these places, and I would rather buy vegetarian food. It is difficult to get halal products from somewhere that is not 100% Muslim-owned."

Hebah Nigm
Austria, Millennial



@HEBAHSROLLERCOASTER

"What's kind of difficult here in Austria, but I found it a bit easier in the US and Canada, is that you cannot be sure if there are Muslims working in a restaurant, or if anything is halal there"

"In Orlando, you will find a few halal meat stores conveniently, but the biggest problem is that it is very expensive. It is almost double the price of meat you get at Publix, Walmart, Kroger, or other grocery stores. I've met a lot of Muslims that just buy the cheapest meat that they can afford."

Muhammad Abdul-Aleem
USA, Millennial

My suggestions

WHAT CAN HALAL FOOD BRANDS DO BETTER TO ATTRACT CONSUMERS LIKE YOU?

"I've been living in Dubai for most of my life, and I think halal food is something I take for granted because I don't have to think twice before I buy anything; everything is mostly halal here. But if I go to a different country, in terms of marketing, it would be nice to see what happens in the backend, more video content in terms of how the food is produced, and what kind of ingredients are being used. It will not only speak about the halalness of the product, but also the food quality, hygiene, and a lot of other things that people care about."

Mohammed Mishal
UAE, GenZ



@MIKK_007

"I've been living in Dubai for most of my life, and I think halal food is something I take for granted because I don't have to think twice before I buy anything"

IFANCA® and UNICEF USA Team Up to Address Health Security

By Asma Ahad and Alison DeGuide



SIMONE VAN DER KOELEN/UNSPLASH

At IFANCA, our mission involves promoting food security, nutrition equity, and health security. Our organization was founded in 1982 to help companies meet the needs of halal consumers, and our core mission was, and continues to be, making halal accessible for everyone. This includes enabling access to halal products so that halal consumers can feel food and health secure while simultaneously preserving their core religious values.

At IFANCA, we want to increase access to nutritious

food and critical pharmaceuticals for halal consumers around the world to ensure the future health security of the global population. Currently, the COVID-19 pandemic represents the biggest threat to the health of people worldwide, which is why we turned our attention to the global COVID-19 vaccination effort. We want to bring attention to the pressing health needs of the Muslim population, a task that requires us to look at the aggregate factors harming an individual's wellbeing.

In the article “Covid-19 Vaccination Efforts in Muslim Nations Try to Overcome Halal Concerns” in the Wall Street Journal, Saeed Shah and Jon Emont note that a study of opinion on vaccines in 149 countries, published in the Lancet medical journal in September 2020, demonstrated how vaccine hesitancy remains a serious issue in the Muslim world. According to the study, seven of the ten countries with the lowest trust in vaccines are Muslim-majority countries. Therefore, for us at IFANCA to live up to our mission of promoting health security among halal consumers, these findings mean that our role requires us to examine the reasons why some Muslims remain vaccine-hesitant.

To achieve this mission, we partnered with UNICEF USA to support UNICEF’s ongoing work with the Access to COVID-19 Tools Accelerator (ACT-A) initiative that delivers needed vaccines, therapeutics, and diagnostics to vulnerable populations around the world. As part of this partnership, IFANCA is providing UNICEF USA with a \$3 million grant over the next five years. However, our goal is not limited to supplying UNICEF USA with financial support. Rather, we seek to share with UNICEF USA the concerns of the Muslim community as a whole. UNICEF has unrivaled expertise in vaccine procurement and distribution, while IFANCA’s

expertise is in raising awareness of halal consumers’ concerns. Through our partnership, we can work together and use our combined expertise to improve health security for children and their communities.

We want to foster a dialogue about why individuals remain vaccine-hesitant, both regarding the COVID-19 vaccine and vaccines in general. In order to do so, IFANCA seeks to build a coalition of non-profit organizations, community leaders, religious scholars, and scientific experts to bring the concerns of halal consumers to the table. Our team of esteemed religious scholars and food industry experts are able to engage with relevant actors across the spectrum, such as the pharmaceutical industry, health professionals, and consumers. Without knowing the exact reasons for vaccine hesitancy among members of our community, we cannot work to allay their fears. This coalition will help us identify the areas of concern, as well as brainstorm possible solutions.

Vaccines are responsible for saving millions of lives, but they are only successful when individuals agree to take them. Please join us to make health security a global priority. Your ideas, partnership, and resources can help us achieve this goal. Now is the time to give the Muslim community a voice in discussions of food and health security.


“At IFANCA, we want to increase access to nutritious food and critical pharmaceuticals for halal consumers around the world to ensure the future health security of the global population.”

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ISLAMIC FINANCE





Islamic finance is rebounding from the effects of the pandemic, with Islamic banks' profitability recovering after 2020 drops. Several major investments, an upswing in Islamic fintech, and the funding of OIC startups are the key contributors.

T

he sector's rebound is essential for the broader Islamic economy, with Islamic finance a key driver of the overall ecosystem. It is also a signal of commitment by the public and private sectors to Islamic principles, with finance, investment, and insurance (takaful) to be Islamically sourced.

Countering expectations, the past year has been one of the significant milestones for Islamic finance, with new benchmarks set. MENA-based startups raised over US\$1 billion in venture capital funding in 2020, while in the first half of 2021, global sukuk issuances reached a record high of US\$100 billion.

Shariah-compliant investments are getting increasingly common across the OIC. Indonesia's US\$10 billion Hajj fund invested US\$300 million in hotels in Saudi Arabia. At the same time, Nuwa Capital, a Riyadh-based venture capital firm, launched a US\$100 million fund to invest in OIC tech startups.

While there are growing financial transactions within the OIC, the heat is also on to create Islamic super-banks, with Britain, the Gulf and Asia all vying to be the Islamic finance hub. Pakistan, Indonesia, and Turkey are emerging as major growth markets, with Islamic banking penetration rising vis-a-vis conventional banks, encouraged in part by government initiatives.

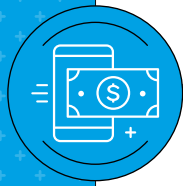
Moves are also underway to bolster sustainable investments, with ASEAN countries developing a framework for 'green' investments, the Islamic Development Bank (IsDB) issuing a US\$2.5 billion sustainability sukuk, and Malaysia issuing the world's first sovereign dollar-denominated Islamic finance sustainability-related commercial notes. The World Bank has acknowledged that Islamic finance supports the UN's Sustainable Development Goals (SDGs).

Financial technology (fintech) meanwhile is being utilized to improve financial inclusion in OIC countries, as well as bolster market penetration for Islamic financial services. There are some 241 Islamic fintechs, with a market size of around US\$49 billion in 2020. This is forecast to reach US\$128 billion by 2025 (based on transaction volumes).

Islamic fintech hubs are developing, with Dubai, London, Malaysia, and the Gulf, all being contenders. Indicative of investor interest, Tamara, a Riyadh-based Shariah-compliant "Buy Now, Pay Later" fintech, raised US\$110 million in a funding round led by checkout.com, the largest funding raised by a MENA fintech. Challenger, or neo, digital banks are also emerging, from the UK to Australia, while Malaysian fintech MyMy aims to be the world's first standalone and central-bank licensed Islamic challenger bank.

The takaful sector is developing slower than the rest of the sector. Still, it is garnering growing interest, from fintech (Takatech) to acquisitions and heightened social sukuk issuances.

The Islamic finance industry was estimated to be worth US\$3.6 trillion in 2021 and is forecast to grow to reach US\$4.9 trillion by 2025.



Islamic Finance

Represented by **\$3.6 trillion** in Islamic finance assets globally (2021 est.)

ALL FIGURES
IN US DOLLARS

1,553

Islamic financial
institutions globally

\$174 billion

value of Islamic funds

\$630 billion

value of outstanding sukuk

*Islamic Finance sector provided by Refinitiv Islamic Finance Development Indicator 2021 data. All other estimates including 'signals' by DinarStandard Research & Advisory. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology. OIC: Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



Top 10 countries by Islamic
finance assets (2020)

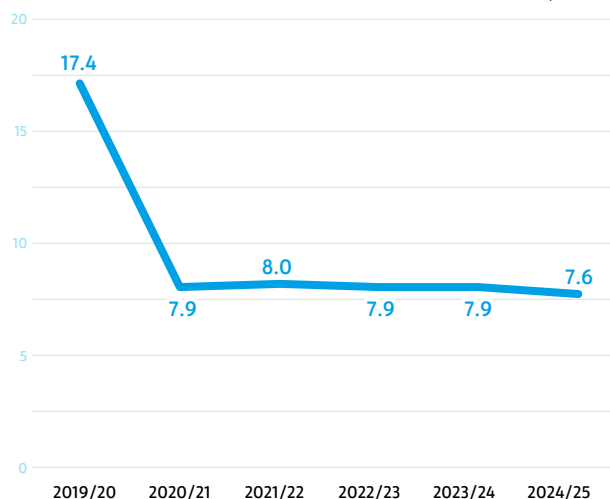


COVID-19 Impact Projections

Projected 4-year CAGR of 7.9% (2021/25) reaching
\$4.9 trillion by 2025

**Projected Islamic finance assets growth
(% yoy growth, 2019-25)**

● Finance assets (% YOY GROWTH, 2019-25)



Investments

Islamic fintech investments and financial
institution consolidation through M&A is
expected to continue

\$17 billion

in Islamic finance investments
2020/21*

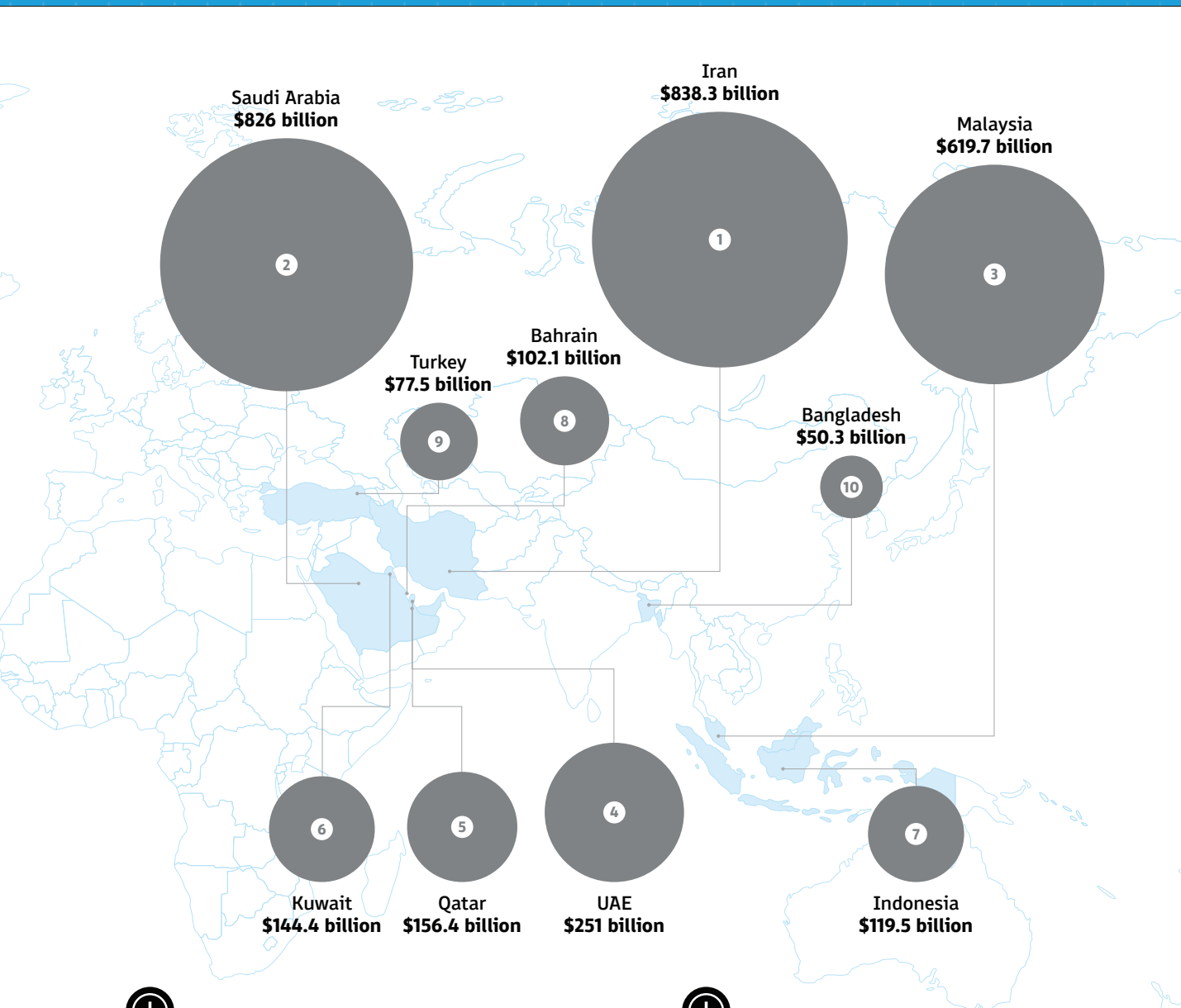
Saudi National Bank (largest in the country) was
formed through the merger of NCB and SAMBA
financial group in deal worth \$14 billion

Indonesia's BukuWarang, a fintech focused
MSMEs, received the largest Series A round
valued at \$60 million

DEALS

Top countries with # of related deals in 2020/21

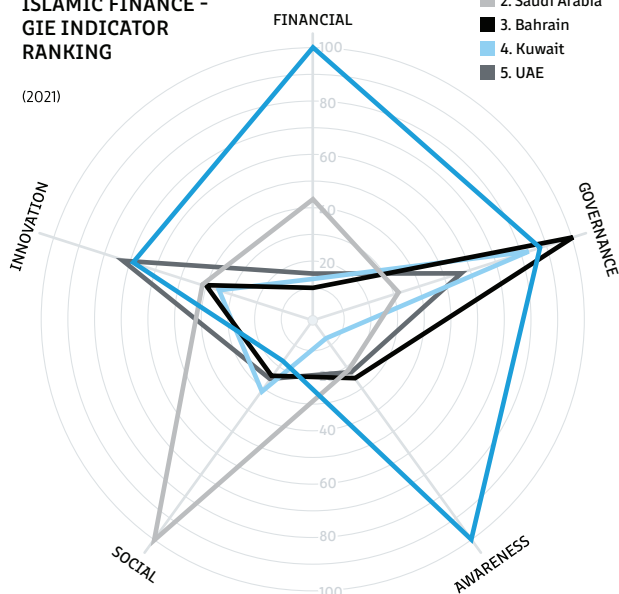




Government Benchmarks

ISLAMIC FINANCE - GIE INDICATOR RANKING

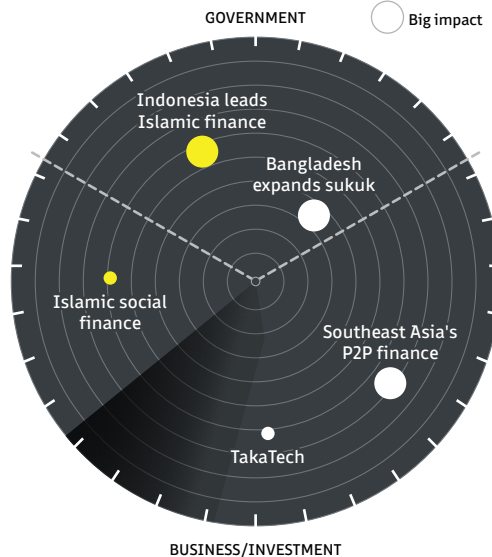
(2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact





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2020/2021 Developments

Revenue/Investment Developments

LATEST PROJECTIONS

The value of Islamic finance assets increased by 7.8% from US\$3.4 trillion in 2020 to US\$3.6 trillion in 2021. A CAGR of 7.9% is expected between 2021 and 2025, and the value of Islamic finance assets is forecasted to reach US\$4.9 trillion by 2025.

Islamic finance is slowly recovering from the effects of the pandemic, with Islamic banks' profitability rebounding after 2020 drops, based on several notable investments, and funding of OIC startups

Islamic banks' profitability rebounded in 2021, and several notable Shariah-compliant investments took place too

- Several Islamic banks recorded a decline in profitability for 2020, such as Dubai Islamic,¹¹⁸ Emirates Islamic,¹¹⁹ and Sharjah Islamic.¹²⁰ However, other Islamic banks have registered a rise in profit, indicating that a slow but steady recovery from the pandemic is underway. Some notable examples in the Gulf region, in the range of 7%-44% profitability rises, included Abu Dhabi Islamic Bank (ADIB),¹²¹ Ithmaar Bank,¹²² and Emirates Islamic,¹²³ while in Southeast Asia, profitability rises also occurred for Maybank Islamic (16.3% higher net income)¹²⁴ and RHB Bank (44.2% increase in pre-tax profit).¹²⁵
- More broadly, Islamic banks are witnessing concentration, as well as increased regulatory support in specific markets. For instance, in Egypt, four banks have acquired 90% of the domestic Islamic banking market.¹²⁶ In the UK, the Bank of England has introduced new facilitative and supportive measures for Islamic banks.¹²⁷ Islamic banks continue to make further inroads in major Islamic banking markets, such as the UAE.¹²⁸
- Several notable Shariah-compliant investments were made in 2020/21, including funding of OIC startups. These include Indonesia's US\$10 billion Hajj fund investing in hotels in Saudi Arabia,¹²⁹ a PIF-backed fund making its first investment to the tune of US\$300 million,¹³⁰ and Nuwa Capital, a Riyadh-based VC, launching a fund of US\$100 million that will invest in OIC tech startups.¹³¹
- Pakistan launched Shariah-compliant Roshan Digital scheme for non-resident Pakistanis, which has attracted over US\$2 billion.

The global sukuk market is growing, while corporate sukuk issuances have picked up

- Global sukuk issuance crossed the US\$100 billion threshold in the first half of 2021, a record high,¹³² and is projected to reach US\$140-US\$155 billion by year-end.¹³³
- The Islamic Development Bank (IsDB) has issued a Secured Financed Overnight Rate (SOFR)-linked sukuk,¹³⁴ a significant development as most sukuk are currently linked to the London Interbank Offer Rate (LIBOR) or its variants. LIBOR is due to be phased out by 2023 and replaced by SOFR as a new global benchmark rate.¹³⁵
- Bahrain-based standard-setter International Islamic Finance Market (IIFM) has published various sukuk documentation templates, which should help push standardization in this sector and bring down costs involved in sukuk issuance.¹³⁶
- The International Islamic Liquidity Management (IILM) Corporation's short-term liquidity sukuk issuances continue to be well-received and subscribed by investors.¹³⁷
- There were multiple corporate sukuk issuances in the past year, such as a unique sukuk by Pure Harvest Smart Farms (US\$35 million) and by Dialog Group in the oil & gas sector (US\$723 million),¹³⁸ along with some notable Islamic bank issuances made by First Abu Dhabi Bank (US\$500 million),¹³⁹ and Emirates Islamic (US\$500 million).¹⁴⁰

Islamic financing also continues to bolster growth in real economy sectors such as construction, real estate and electricity

- The UAE's Gulf Islamic Investments bought two Paris towers for US\$301 million,¹⁴¹ Jabal Omar will finance the completion of four buildings in Mecca,¹⁴² and Oman's



SHUTTERSTOCK

The Saudi fintech ecosystem has increasingly received large amounts of investment

Mazoon Electricity raised US\$235 million via a syndicated Ijarah financing facility.¹⁴³ Also, Saudi-based Middle East Paper Co. agreed to US\$90.6 million in Islamic financing to fund a new factory for the production of tissue and hygienic papers.¹⁴⁴

- Overall, Islamic finance is expected to outpace conventional lending in core Islamic finance markets in 2021.¹⁴⁵

Several promising growth stories are emerging in the Islamic finance industry, indicating that post-pandemic recovery is afoot

- S&P projects global Islamic finance to grow by 12%, fueled by sukuk and Takaful growth.¹⁴⁶ In particular, Saudi Arabia's projected growth looks strong due to a rise in social sukuk issuances.¹⁴⁷
- A top UK financier says that Britain and the Gulf region could create Islamic super-banks,¹⁴⁸ while other market watchers are heralding Indonesia as Asia's next Islamic finance hub.¹⁴⁹
- A new think tank has been set up to promote growth in Europe's halal economy.¹⁵⁰

Shariah-compliant fintechs are slowly coming of age, while OIC Islamic fintechs are beginning to scale up due to funding injections

- In Pakistan, the fintech Sadapay raised US\$7.2 million, the largest domestic seed round ever.¹⁵¹ Meanwhile, Lendo, a Shariah-compliant lender based in Saudi Arabia, raised US\$7.2 million to fund its SME marketplace platform.¹⁵²
- In Indonesia, Alami, a Shariah-compliant P2P SME lending platform with ambitions to become a digital bank, raised multiple rounds of equity and debt funding over the year, totaling over US\$37.5 million.^{153 154}
- According to insights by the recent Global Islamic Fintech Report 2021,¹⁵⁵ there are 241 Islamic fintechs identified, and the Islamic fintech market size was US\$49 billion in 2020 (based on transaction volumes). It is projected to grow to US\$128 billion by 2025 at a CAGR of 21% from 2021-2025.
- Tamara, a Riyadh-based, Shariah-compliant "Buy Now, Pay Later" (BNPL) fintech, raised US\$110 million in a funding round led by checkout.com.¹⁵⁶ To date, this is the largest amount of investment raised by a MENA-based fintech.
- Meanwhile, Raqamyah, a Saudi crowdlending platform, raised US\$2.3 million,¹⁵⁷ while Prexle, another Saudi fintech, raised US\$670,000 in seed funding.¹⁵⁸

Operational Developments

Consolidation is coming to the fore, with several acquisitions and partnerships in 2020/21. OIC Islamic fintechs are also securing sizeable funding amounts

Several acquisitions and partnerships occurred in 2020/21

- In Saudi Arabia, NCB and Samba merged,¹⁵⁹ while Emirates NBD is considering acquiring Lebanon's Bank Audi's Egypt-based assets.¹⁶⁰ On the Takaful front, the UAE's Dar

Al Takaful has finalized its acquisition of Noor Takaful.¹⁶¹

- In Qatar, Masraf Al Rayan shareholders have approved the acquisition of Al Khalij Commercial Bank to form Qatar's second largest bank as well as one of the biggest

Islamic banks globally.

- Interesting use cases for Islamic finance are emerging, such as agricultural finance, as shown by Malaysia's MDEC and CIMB's partnership to provide US\$6 million to scale up an agtech pilot scheme.¹⁶² Meanwhile, the Kuwait Finance House (KFH) has partnered with Bahrain's Aion Digital to implement KFH's digital transformation strategy.¹⁶³ On the sukuk front, Khaleeji Commercial Bank & Bahrain Bourse are teaming up to offer sukuk murabahah.¹⁶⁴

Islamic banks continue to be strong in capital markets while also diversifying further into SME and retail banking in various OIC markets

- The International Islamic Trade Finance Corporation (ITFC) has allocated US\$604.7 million to support the IsDB member countries together with additional funding of US\$750 million; while the Islamic Corporation for the Development of the Private Sector has allocated 93% of its 2021 approvals for SMEs as part of the IsDB Group's US\$4.6 billion Strategic Preparedness and Response pro-

gram, confirmed an official tweet citing IsDB President Dr. Muhammad Sulaiman Al Jasser.

- RHB Bank launched a US\$2.4 billion multi-currency sukuk murabahah to help finance Islamic finance facilities, such as working capital.¹⁶⁵
- Indonesia's largest Islamic bank, BSI, received a rating upgrade.¹⁶⁶
- Bangladesh's Shahjalal Islami bank plans to focus more on SMEs and retail banking.¹⁶⁷
- In October 2020, Nasdaq Dubai launched 'Growth Market', designed to provide SMEs access to capital markets and encourage them to explore financing solutions apart from bank loans to bridge the funding gap and to accelerate their growth.

On the asset management side, further inroads are being made in both equities and safe havens such as gold

- UK-based asset manager Schroders launched its first Islamic Global Equity Fund.¹⁶⁸
- Turkish app Goldtag is garnering considerable investor interest, expressed by over 10 companies so far.¹⁶⁹

National/Trade Developments

Islamic banking has seen several regulatory initiatives and market developments in core OIC regions while also continuing to make strides in select non-OIC markets

Core markets for Islamic finance, such as the Gulf countries, saw the development of various regulatory initiatives

- Islamic Development Bank has partnered with the Department of Economic Development, the Government of Dubai, to develop the Global Islamic Finance Code with an aim to provide a global legal framework for Islamic financing and investment transactions.
- Kuwait's central bank approved the setting up of a national Shariah committee for Islamic finance.¹⁷⁰
- Oman's central bank launched a Fintech Regulatory Sandbox.¹⁷¹
- Over the next 18 months, Saudi Arabia is predicted to turn more towards Islamic finance.¹⁷²
- Bangladesh's central bank published much-anticipated sovereign sukuk guidelines.¹⁷³
- Climate Bonds Initiative – The UK has joined hands with the 3 Government of Dubai entities, namely Dubai International Financial Centre, Dubai Financial Market and Department of Economic Development, with an aim to develop Green Sukuk Standards on the lines of CBI's standards and criteria for green bonds.

Key stakeholders in major markets such as Pakistan, Indonesia, and Turkey are setting ambitious targets to guide the next phase of growth in Islamic banking and finance

- Pakistan's Islamic banking assets grew by 30% in 2020,¹⁷⁴ and the State Bank of Pakistan, the central bank, has

set an ambitious target of 30% domestic market share for Islamic banking assets by 2025.¹⁷⁵

- Indonesia's Islamic banks grew faster than conventional local banks in 2020.¹⁷⁶ The merger of the Islamic banking segments of PT Bank Mandiri, PT Bank Negara Indonesia, and PT Bank Rakyat Indonesia into a megabank is expected to raise the Islamic banking market's share above the 10% threshold.¹⁷⁷
- Turkey's Islamic banks now make up 7% of the local market share.¹⁷⁸

Significant market activity is taking place in core markets

- Oman's first-ever retail sukuk was fully subscribed.¹⁷⁹
- Saudi Arabia led the MENA IPO market in 2020.¹⁸⁰
- Jordan's Hajj Fund made a net profit of almost US\$9.8 million in 2020.¹⁸¹
- More generally, sukuk in 2021 is expected to surpass 2020 issuances due to low-interest rates and investors seeking better yields, as well as refinancing, Capex, and deficit-related needs on the supply side.¹⁸²

Non-OIC markets are opening up to Islamic finance

- The UK issued its second-ever sovereign sukuk,¹⁸³ while German Islamic fintechs and Islamic financing continue to innovate and make progress domestically as well.¹⁸⁴
- Pakistan's Habib Bank opened the first Pakistani bank branch in Beijing, China.¹⁸⁵

Ecosystem Developments

The ecosystem is seeing several improvements in governance, as well as increased emphasis on sustainability and green issues (e.g., sustainability sukuk, ASEAN Framework) and large capital inflows

Governance in the Islamic finance ecosystem is improving, and there is increased emphasis on sustainability

- Standard-setters AAOIFI and IFSB are jointly developing a Shariah governance standard. At the same time, AAOIFI has made all its standards available for free online.¹⁸⁶ AAOIFI has also developed and approved in principle the governance standard on Islamic crowdfunding.¹⁸⁷
- The Association of Southeast Asian Nations (ASEAN), which includes Islamic finance powerhouses Malaysia and Indonesia, is trying to develop a framework for regional green investments, a market worth US\$3 trillion.¹⁸⁸
- The Islamic Development Bank (IsDB) issued a US\$2.5 billion sustainability sukuk,¹⁸⁹ while Malaysia sold the world's first sovereign dollar-denominated Islamic finance sustainability-related commercial notes.¹⁹⁰

- Bangladesh issued its first sovereign sukuk valued at US\$944 million to finance the development of water supply infrastructure.¹⁹¹
- According to the World Bank, Islamic finance supports the UN's Sustainable Development Goals (SDG) initiatives.¹⁹²

Capital continues to flow both across and into OIC countries, bolstered by partnerships both at early-stage funding and also sovereign wealth levels

- MENA-based startups raised over US\$1 billion in VC funding in 2020.¹⁹³
- Malaysia's IAP Integrated and Ata Plus, backed by six Islamic banks, are using crowdfunding to increase investment options for SMEs and startups.¹⁹⁴
- The UAE will invest US\$10 billion with Indonesia's sovereign wealth fund.¹⁹⁵



Malaysia sold the world's first sovereign dollar-denominated Islamic finance sustainability-related commercial notes

SHUTTERSTOCK

Social Impact Developments

Islamic financial products, from waqf and sustainability sukuk, to more ESG and higher zakat donations, are helping the world reduce the economic brunt of the pandemic and build back better

Green and sustainability sukuk continue to gain market traction, indicating increasing investor appetite for actively meshing social impact with financial returns

- The Saudi Electricity Company is actively exploring the potential for green sukuk issuance.¹⁹⁶
- Egypt's Finance Ministry is considering the use of sus-

tainable development bonds,¹⁹⁷ while Egypt and the United Nations Development Program (UNDP) have agreed to collaborate on impact Investing for SDGs.¹⁹⁸

- Kuveyt Turk Katilim Bankasi has issued a landmark sustainability Tier 2 Sukuk facility worth US\$350 million carrying a tenor of 10 years. Proceeds from the

issuance will be used to finance (or refinance) eligible green/social projects under Kuveyt Turk's Sustainable Finance Framework.¹⁹⁹

Some countries are using sukuk to help finance their post-COVID-19 recoveries

- Indonesia issued a retail cash-linked waqf sukuk to help finance its post-COVID-19 recovery.²⁰⁰
- Malaysia launched a digital retail sukuk to help finance its post-COVID-19 recovery.²⁰¹

Sovereign wealth funds and asset managers remain fundamentally positive about the convergence of ESG and Islamic finance

- Abu Dhabi's Mubadala fund is opening a new ESG unit.²⁰² Malaysia's EPF pension fund is bullish on ESG as a "vaccine for any crises".²⁰³
- Asset manager Norrenberger has launched an Islamic ethical fund in Nigeria, a critical global Islamic finance market.²⁰⁴

Other Islamic social finance instruments, particularly zakat and sadaqah, are seeing or are projected to see higher uptake while development finance is on the agenda once again

- Indonesia is aiming to make more of its regional development banks and pension funds Shariah-compliant.²⁰⁵
- UNHCR's Zakat Fund reported a 12.5% increase in donations in 2020.²⁰⁶
- Malaysia's Global Sadaqah set an ambitious target of a 100% increase in Islamic social finance funds for 2021.²⁰⁷

However, gaps in access to finance remain in Islamic finance, particularly for women and retail consumers

- The majority of the 800 million unbanked Muslims are women.²⁰⁸
- Malaysian Peer-to-Peer (P2P) microfinance firm micro-LEAP will add new Islamic P2P products to help improve access to such finance, such as car finance and invoice financing.²⁰⁹

Innovative Developments

Islamic fintechs provide solutions across a broad spectrum of financial needs, from digital waqf and inventory monetization to SME finance and a potential super-app for Islamic finance. These novel use cases herald a vital shift towards increasing financial inclusion

In Islamic fintech, Islamic challenger banking is becoming a crowded space

- Islamic fintech Wahed Invest bought UK digital banking app Niyah, which signifies Wahed's evolution into a full-fledged bank.²¹⁰
- Australia's first full-fledged retail Islamic bank will be digital and launch in 2021.²¹¹
- Malaysian fintech MyMy aims to be the world's first standalone and central-bank licensed Islamic challenger bank.²¹²
- Kuwaiti Boubayan Bank Group, a majority shareholder in the Bank of London and the Middle East (BLME), has launched Nomo, a digital Islamic bank in the UK. Given the existence of several incumbents in the UK, this makes the UK Islamic challenger banking market an even more contested space.
- Abu Dhabi Islamic Bank (ADIB) has launched Amwali digital bank, the world's first Islamic digital bank targeting youth.²¹³

In the SME space, new platforms and solutions are emerging to address the perennial access to finance challenge that fledgling Muslim businesses face, including solutions focused on micro-SMEs and liquidity-enhancing sukuk

- IzdiHar, a new UK Shariah-compliant SME finance platform, will launch in 2021,²¹⁴ while Aafaq Islamic Finance is introducing 'Osool' to empower Emirati SMEs.²¹⁵

- Saudi Arabia's Tamam app launched a Shariah-compliant microfinance scheme.²¹⁶
- Indonesia's Tokopedia and BNI Syariah are collaborating to improve access to finance for micro-SMEs.²¹⁷
- The UK's Bedford Row Capital, a boutique structuring firm, will launch Islamic liquidity solutions and possibly originate SME sukuk.²¹⁸

Several other innovative solutions appeared in the past year, opening new market spaces and auguring well for the industry's further evolution

- A UK fintech, SYME, will launch a Shariah-compliant inventory monetization solution.²¹⁹
- Mambu, the Fintech unicorn, has launched a Shariah-compliant SaaS banking platform.²²⁰
- In Western markets, Islamic fintech continues to make impressive inroads. Wealthsimple now offers a Shariah-compliant portfolio option for investors in Canada,²²¹ UK Waqf has developed a new digital platform for waqf,²²² and a new Australian Islamic finance-focused Decentralised Finance (DeFi) platform that is 'guided by Shariah' has launched.²²³
- Indonesian fintech Linkaja Syariah has linked up with 42 partners to help develop its "one-stop-shop" capabilities to meet retail consumers' daily needs – essentially, a super-app for Islamic finance.²²⁴

SIGNALS OF OPPORTUNITIES

In Southeast Asia, investments via equity crowdfunding and P2P finance will continue to show strong growth potential

Key growth drivers include the buildup of retail and institutional “lockdown capital” during the COVID-19 pandemic, low approval rates, and limited product service offerings, especially for SMEs.

Islamic social finance, especially Islamic microfinance, is another area where a tipping point is approaching

Key drivers are the increased economic hardship caused by the pandemic to the less well-off economic segments across both OIC and non-OIC countries.

TakaTech is poised for further growth

Very few Takaful Tech (TakaTech) firms exist in the current global Islamic fintech landscape. Out of 241 Islamic fintechs, only two are TakaTechs, and only six in total are TakaTech or Shariah-compliant insurance startups. There is an increased need for Shariah-compliant insurance for OIC and non-OIC Muslim communities.

Indonesia is set to drive growth and innovation in Islamic finance

Indonesia, the world’s most populous Muslim country, is set to be a key driver of the Islamic economy. It has issued the most sovereign sukuk in the world, established a dedicated national Shariah finance committee, a new fund to support Hajj pilgrims, and is supporting technology-based Islamic financial services, Takaful, and asset management.

Islamic social finance could get a boost from emerging Islamic DEFI platforms

Decentralized finance (DEFI), that removes intermediaries by using blockchain, could legitimately channel significant sums of funding into social finance initiatives with the caveat that it could also implode with any forthcoming bust of the crypto space.

Strategic considerations by Stakeholder

Overview

Islamic fintech is slowly coming of age and continues to present opportunities for risk-tolerant investors; while access to capital remains a core challenge for fintechs. On the other hand, there is an increased demand for green sukuk (ESG, sustainable, social sukuk). In terms of governments, Islamic banking can consolidate and scale as well as expand into

new and relatively untapped markets. Regulatory barriers, however, may continue to act as dampeners to such growth. Meanwhile for small businesses, Islamic fintech solutions have emerged that seek to address the access to finance gap in Shariah-compliant SME funding.

Investors

There is an opportunity to invest in fintechs as well as in green sukuk (ESG type sukuk in various forms such as green, sustainable, and social sukuk).

OPPORTUNITIES

1

Scaling up of Islamic fintechs.

Islamic fintechs are still at the early stage of funding, making scaling up a core goal in the years to come.

Waves of consolidation are likely, as are increases in access to capital, as more investors become aware of and are attracted to viable Islamic fintech propositions.

Relevant Developments & Precedents

- Wahed Invest attracted US\$25 million in funding and has ambitions to pivot from wealth management to challenger banking.
- UK-based Ethos Invest launched a US\$1.3 billion Shariah-compliant PE fund to invest in innovative fintechs.²²⁵

Potential outcomes by 2030

- The emergence of several Islamic fintech unicorns valued at over US\$1 billion.

2

Increased appetite for green sukuk (ESG).

As the rise in demand for green sukuk (ESG, sustainable, social sukuk) is a structural rather than cyclical trend, it looks set to continue for the foreseeable future. Moreover, ESG concerns within mainstream institutional investors will be reflected in the development of Islamic finance going forward.

Relevant Developments & Precedents

- Green, sustainable and social sukuk are all seeing increased demand from investors.

Potential outcomes by 2030

- Green sukuk (ESG) becomes the norm in the Islamic finance industry, with issuance sizes beginning to rival those of conventional bond issuances.

CHALLENGES

1

Companies fail to raise sufficient funding.

Access to capital remains a key challenge for Shariah-compliant firms and fintechs, hindering growth to the detriment of consumers who lack sufficient choices in the market. Talent development of the kind that leads and builds new challenger technology-based institutions will be the need of the hour to address this challenge.

Risk

- Many of the players remain fragmented, unable to scale. Also, consumer awareness of these products and services remains low, limiting them to a niche consumer base in the future.

“I see a lot of opportunities and openness to explore alternative financing and investment and general partnerships with fintechs.”

Umar Munshi, Co-Founder, Ethis Group



Governments

Islamic banking has the opportunity to consolidate and scale but also to expand into new and relatively untapped markets. Regulatory barriers, however, may continue to act as dampeners to such growth.

OPPORTUNITIES

1

Islamic megabanks can help boost economies of scale in Islamic banking and build champions for Islamic finance on a global scale.

There are no Islamic banks with over US\$1 trillion in assets. There is a strong need to develop megabanks through strong push dynamics from regulators in key Islamic finance markets (by facilitating easier cross-border alignment of regulations, recognition, and facilitation).

Relevant Developments & Precedents

- The recent birth of the Indonesian Shariah-compliant megabank, Bank Syariah Indonesia (BSI), may lead to other OIC Islamic megabanks emerging.

Potential outcomes by 2030

- At least one Islamic bank will reach US\$1 trillion in assets, likely creating an Islamic megabank.

2

Islamic banking and finance can expand into new regions.

There are still only a handful of jurisdictions where Islamic banking is systemically important (above 15% of overall banking market share). For most of the world, Islamic banking remains niche, with low levels of actual market activity or familiarity, even in OIC countries.

Relevant Developments & Precedents

- As awareness of Islamic finance grows, the synergies with inclusive capitalism are becoming more obvious, creating an impetus for the former to spread to new/relatively untapped jurisdictions across Sub-Saharan Africa and North America. Bangladesh has seen its maiden sovereign and corporate sukuk issuances.

Potential outcomes by 2030

- Islamic banking and finance have expanded into at least five new countries in Sub-Saharan Africa and North America.

“It will be a big challenge for a fintech to fully replace a bank in what banks offer, rather I can see fintech complementing the role of banks in providing efficient channels and enhanced customer experience. They may replace branches.”

Hussam Sultan, Regional Head, Commercial Banking, CIMB Islamic Bank



“Interest in sukuk has increased in recent times in Bangladesh, but there are still issues surrounding local sukuk regulation and governance policy that may prevent the country from reaching its potential.”

Professor Kabir Hassan, Bangladeshi-American Economist; 2016 IsDB Prize Winner; Member, AAOIFI Ethics and Governance Board

CHALLENGES

1

Regulatory barriers to growth remain in both new and existing jurisdictions, limiting the evolution of Islamic versus conventional market share.

Regulations in Islamic financial services continue to increase.

Risk

- Unless Islamic finance products and services are prioritized by regulators in OIC jurisdictions, they will continue to play second fiddle to conventional products and services.
- The Global Islamic Finance Code project, upon completion, will provide a global legal benchmark for next-generation growth of Islamic finance within and outside the OIC countries. The Code could also be launched as the smart law.

Businesses

Islamic fintech solutions are popping up in various areas, such as digital banking and SME finance.

OPPORTUNITIES

1

Islamic fintech solutions are increasing in emerging areas of Islamic finance, particularly SME finance, pensions, and Takaful.

SMEs are the lifeblood of most economies, and it is no surprise that Islamic fintech solutions have emerged that seek to address the access to finance gap in Shariah-compliant SME funding.

Other underserved areas of Islamic finance, such as pensions and Takaful, are gradually attracting more interest.

Relevant Developments & Precedents

- Fintechs such as Qardus and others are spearheading Shariah-compliant SME finance in the UK, while Wahed and Options UK have teamed up to provide Shariah-compliant workplace pensions in the UK.

Potential outcomes by 2030

- Although currently still thin, the emergence of a large Islamic venture fund manager is steadily gaining momentum with a number of Islamic economy themed venture funds gaining rapid momentum.

2

Islamic digital banks are currently a hotly contested space with consolidation likely, presenting opportunities to back the eventual “winners”.

Consolidation is already underway in the Islamic digital banking space, even as new market players such as Nomo continue to fill out this market space further.

Relevant Developments & Precedents

- Consolidation in this market is occurring and may lead to the emergence of sizeable Islamic digital banks, e.g., Wahed’s recent acquisition of Niyah.

Potential outcomes by 2030

- There will be at least two Islamic challenger banks that have achieved unicorn status and/or been acquired by a leading conventional unicorn in the digital banking space.

CHALLENGES

1

Stagnating market penetration rates in key markets.

Key Islamic finance markets, such as the UAE and North Africa, should not be complacent, as a decline in momentum will result in stagnation in Islamic financing, causing future challenges for OIC countries.

Risk

- If policymakers are not careful, falling momentum could spread to other OIC markets as well and signal a growing irrelevance for Muslims.



“The biggest challenge traditional banks face in their move to become a 'digital bank' is the mindset. Digital transformation should not be an incremental one, rather a reinvention of the wheel.”

Ashar Nazim, Group CEO, Aion Digital

Risk-tolerant
investors are
willing to get in
Islamic fintech
opportunities at a
early stage

PEXELS/KAROLINA GRABOWSKA

Gen Z & Millennial Perspective

on

Islamic Finance

■ Millennial ■ Gen Z

Spending Habits

DO YOU PREFER USING CASH OR CARD (CREDIT/DEBIT) TO MAKE YOUR PURCHASES?

"I prefer to use card. A debit card because it is safer, in my opinion. And it saves the hassle. If you use card compared to using cash, you don't have to track your balance manually."

Alyssa Nur Hannah
Malaysia, Gen Z

"I'm not sure about other countries, but in America, we love credit cards. So I use a credit card, and all I do is make the payment before 30 days. As long as I do that, there's no interest charged. I never carry cash ever. I may carry a dollar or two in my car in case I need it for parking, but you will never find cash in my wallet. Also, if I lose my wallet or misplace it, I'll be able to hold my account. But if I have cash, the thief will just take the cash and leave the wallet."

Muhammad Abdul-Aleem
USA, Millennial

"I have been using a credit card so far. But based on what happened to me last week, where some random person managed to make a transaction from my credit card, I went back to using cash. I think I will have to be more cautious when using credit cards, like not storing details on untrustworthy websites."

Mohammed Mishal
UAE, Gen Z

"I have noticed that in North America, for example, people use credit cards a lot. And I was always the odd one out because, in Europe, we don't use it that much. When I pay cash in America, people go like: "Wait, you're not from here, right? You're from Europe." So that's something that I was brought up with, and so I usually use cash."

Hebah Nigm
Austria, Millennial



@ALYSSAHNNH



"I prefer to use card... If you use card compared to using cash, you don't have to track your balance manually"

"I don't use a credit card. But I do use a debit card. So it's like a weird mix of both."

Riley Logan
USA, Gen Z

"Am I the only one without a credit card? Because in Singapore, a lot of us still use cash. But we are slowly moving towards cashless payments, such as online bank transfer right away when you pay for food or groceries."

Amira Rahmat
Singapore, Millennial



@ASINGAPOREANABROAD

DO YOU FIND ANY DIFFERENCES IN CASH OR CARD PREFERENCES AMONG DIFFERENT GENERATIONS?

"My dad does not use credit cards, so he has to have cash in his wallet. I try to even have him "Zelle it!", but no, he would never. There's a big difference between my dad and me in terms of cash and card preferences."

Muhammad Abdul-Aleem
USA, Millennial

"My dad does not use credit cards, so he has to have cash in his wallet. I try to even have him "Zelle it!", but no, he would never"



@HOOPFINESSE

"So for you, there is a generational difference already. Maybe in Europe, it is still old school compared to North America. The European mindset is interesting. They feel if they always pay with card, the bank will know what they are paying for. They don't want to feel controlled. I think it's just a matter of different mentality."

Hebah Nigm
Austria, Millennial

My Suggestions

WHAT SUGGESTION WOULD YOU HAVE FOR ISLAMIC BANKS TO MAKE THEIR SERVICES USER-FRIENDLY AND SUITABLE FOR YOUNG INDIVIDUALS LIKE YOU?

"In Indonesia, there is a growing trend among millennials and gen Zs to use e-wallets for transactions instead of credit or debit cards. They don't go to the bank anymore and prefer to use e-wallets instead. My suggestion to Islamic banks is to build digital products that cater to this rising need and which are user-friendly. That is what the youth wants."

Handika
Indonesia | Millennial



@URBANSUFISM

"In Indonesia, there is a growing trend among millennials and gen Zs to use e-wallets for transactions instead of credit or debit cards. They don't go to the bank anymore and prefer to use e-wallets instead"

Why the growth of the Islamic economy is important for refugees and internally displaced people (IDPs)

In the past year, we once again witnessed an increase in the number of people forcibly displaced globally. By the end of 2020, 82.4 million people had been forced to flee their homes. With the intensification of crises, from Mexico to the Sahel region to Afghanistan, this number is unfortunately expected to increase over the next year. In 2020 alone, 9.8 million people were displaced within their own countries, and 1.4 million sought refuge across their borders. The majority of these displaced populations, be they refugees or internally displaced people (IDPs), are from only five countries: Syria, Venezuela, Afghanistan, South Sudan, and Myanmar, while 86% of displaced families are hosted in developing countries where the socio-economic situation is already fragile.

Beyond the figures, the demographic dynamics of these populations are highly concerning: among the nearly 26.4 million refugees, approximately half are children. Globally, almost 1 million children were born as refugees between 2018 and 2020. With no end in sight for many crises, displaced families find themselves in dire need of support to survive. For many Syrian families and individuals, this coming year will mark their 11th consecutive winter in displacement. This season brings with it additional challenges for those already struggling to make ends meet. Adding to that, the negative socio-economic impact of COVID-19 on displaced families and communities has been devastating, with many losing their informal daily-wage livelihoods.

With the winter months coming, the snowball effect caused by the compounding of all these factors can quickly push IDP and refugee families into desperate situations. In the MENA region alone, there are over 10 million reported Syrian and Iraqi IDPs and refugees within Syria, Iraq, Lebanon, Jordan, and Egypt. Of this group, UNHCR estimates that 3.3 million people require critical assistance to help them prepare for and cope during the forthcoming winter. The onset of the harsh winter season is one of the hardest to cope with for IDP and refugee communities, as they have few resources still available to them and have

higher costs to bear during this time. In the cold months, many families have to make the difficult decision between essential winter clothing and heat for their children, or providing them with access to nutritious food, healthcare, or education. With most of their existing funds diminished, and the increased economic hardships, it is now more vital than ever to support these communities.

In preparation for the colder months, and as part of its regional winter response this year, UNHCR will provide winterization assistance to refugees and IDPs through:

- the provision of seasonal cash assistance for vulnerable families to meet their additional needs during the winter months,
- provision of core relief items specific to winters such as high thermal blankets, plastic sheets, sleeping bags, and winter clothes,
- winterization of shelter, including weatherproofing and repairs, improvements to drainage systems, and other infrastructure in camps and informal settlements.

The provision of seasonal cash assistance is one of the most integral elements of the winterization response. It allows families to determine what they need most and put their funds to use in those high-priority areas. Studies have also found that it positively impacts debt repayments, school attendance, and well-being. It also decreases engagement with negative coping mechanisms such as child labor. It also diminishes the risk of exposure to violence, abuse, and child neglect, thereby increasing their safety. Additionally, cash assistance has a significantly positive effect on the local economy.

THE ROLE OF ISLAMIC PHILANTHROPY

UNHCR is committed to helping all 3.3 million people who require winterization assistance with a budget funding need of US\$193.4 million to provide life-saving support. We are working hard to mobilize additional resources to cover the needs of displaced populations in the region during these



“With no end in sight for many crises, displaced families find themselves in dire need of support to survive.”

harsh months. Islamic Philanthropy (IP) has been playing a crucial role in this regard for several years. The Refugee Zakat Fund, launched by UNHCR in 2019, is a trusted, compliant and effective distributor maximizing the power of zakat and sadaqah to transform the lives of refugees, including in hard-to-reach areas. Backed by more than 10 fatwas from renowned scholars and institutions, the Fund distributes 100% of the zakat received to eligible beneficiaries and has over 40 partners worldwide, from foundations to companies and multi-lateral organizations, in addition to the thousands of individual donors entrusting UNHCR with their personal zakat.

With the rapid growth of the Islamic economy and subsequently Islamic philanthropy, it is now widely recognized within the humanitarian community that IP can play a key role in responding to global humanitarian needs and that strategic partnerships between all IP stakeholders are much needed for this to happen. This is even more relevant for situations such as the displacement crisis, where more than 60% of the global displaced population originates from member states of the Organization of Islamic Cooperation (OIC). With this in mind, and in the context of growing Islamic economy trends, IP has the untapped potential to exponentially grow and expand its reach and impact.

GIVEZAKAT: A UNIQUE APP

The global Muslim population today is, on average, younger and more connected than the rest of the world. Young Muslims are expected to make up around 60% of the global Muslim population by 2050, and the internet in regions such as MENA is accessed by 65% of the population vs. 49% for the rest of the world. Therefore, digital connectivity will continue to represent a driver of growth for the Islamic economy, and hence the need for IP players to develop tech products that can meet the needs of Muslim donors.

As such, UNHCR launched GiveZakat in 2020, the first app released by a UN agency for zakat and sadaqah. GiveZakat users can choose the amount and the frequency of their giving and calculate their zakat based on their assets and wealth using the “Zakat Calculator.” Other innovative features, such as tracking contributions from the moment funds are donated till beneficiaries receive them, make it easier to ensure high transparency in the donation process. Since its launch, more than 1,400 users have trusted GiveZakat. We encourage you to download the app available from all app stores to find out more and support forcibly displaced families.



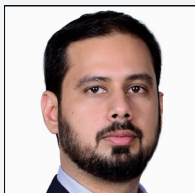
UNHCR

Increasing political tensions and adverse climate conditions are only exacerbating forced displacement around the world. The global refugee crisis will continue to need huge resource mobilization efforts. IP as a vital response for humanitarian and sustainable solutions cannot be ignored anymore. UNHCR has been engaging with stakeholders in this space since 2016 and is committed to contributing to help maximize its impact. In the past year, 2 million beneficiaries were supported through zakat and sadaqah contributions received through the Refugee Zakat Fund. In the first half of this year, we assisted nearly 500,000 beneficiaries in 9 countries through zakat contributions alone and aim to increase our reach and the number of families supported through Islamic philanthropy and social finance year after year.

To find out more about UNHCR's Refugee Zakat Fund, our Islamic philanthropy tools and partnerships, I invite you to read UNHCR's 2021 Islamic Philanthropy Mid-Year report, which was launched earlier this month. With your crucial support, we hope to mobilize more resources ahead of the winter season and together change the lives of those who are forcibly displaced from their homes.

The Islamic finance industry has been bracing for a new world since the outbreak

By Mustafa Adil, Head of Islamic Finance for Refinitiv



2020 has been branded as one of the most challenging years economically, given the widespread impact of pandemic-imposed measures, such as lockdowns, which manifested unevenly around the globe.

For Islamic finance, uncertainty prevailed, and risks included technological disruption potentially caused by the hacking outages, foreign exchange volatility and geopolitical risks. This is apart from operational risks caused by employees working remotely and changing customer behaviors that are impacting financial institutions' response towards these behaviors. These add to the woes caused by oil price volatility and the real estate sector slump in some Islamic finance markets.

On the other hand, support measures by regulators in the leading Islamic finance markets allowed financial institutions to mitigate any issues they have faced and helped them ease their financial conditions.

Despite hardships and some Islamic financial institutions making lower profits or even losses, the Islamic finance industry saw double-digit growth of 14% to reach US\$3.4 trillion in 2020, according to Refinitiv's Islamic Finance Development Indicator.

DOUBLE-DIGIT GROWTH SEEN IN MOST ISLAMIC FINANCE SECTORS IN 2020 DESPITE HARDSHIPS

Almost all Islamic finance sectors experienced double-digit growth during this period. The strong growth in total Islamic finance assets was driven by the largest Islamic banks in the GCC, Iran and Malaysia. A similar level of development was seen in these banks' total liabilities as some of them increased their sukuk issues in 2020, taking advantage of the low-interest-rate environment to meet their capital adequacy requirements.

Sukuk also played a large part in such growth and proved to be resilient despite the uncertainty posed by the pandemic after it recovered from the initial shock in the first quarter of 2020. Sukuk's robust growth was noticed in the GCC region, Turkey and Southeast Asia. It also received huge demand, as indicated by the significant oversubscription rate for some sukuk issues during 2021, such as Saudi's Aramco sukuk, which received 10 times oversubscription.

Both Islamic banking and sukuk contributed a large sum of the total Islamic finance assets in 2020, amounting

to US\$2.3 trillion and US\$631 billion, respectively.

The impact of smaller asset classes cannot be ignored either. Although Islamic funds' growth slowed down compared to the previous period, it still has the highest growth among the Islamic finance sectors, with a rate of 22%, reaching US\$178 billion in 2020. The solid increase was driven by its large markets, such as Malaysia and Saudi Arabia. Among recurring trends are exchange-traded funds, which are expanding geographically and even by the type of invested assets such as REITs.

Other Islamic financial institutions (other than Islamic banks and takaful operators) witnessed a single-digit growth to hit US\$154 billion. This is because some specialized Islamic financial institutions in certain markets are reeling from volatility in oil prices and the real estate sector.

Meanwhile, takaful grew into the double digits to US\$62 billion in 2020, and this is largely attributed to the takaful growth in Turkey, Iran, Saudi Arabia and Southeast Asia. It is also gaining interest in other regions like North Africa, with Algeria's government approving takaful regulations back in February 2021, and Moroccan consumers demanding takaful coverage for certain financing products such as property financing.

The markets which experienced the fastest growth in Islamic finance assets during 2020 are Australia, Tajikistan, Morocco, Afghanistan, Egypt and Ethiopia.

CONSOLIDATION AND SUSTAINABILITY REMAIN AS COPING MECHANISMS

2020 was mostly spent managing the impact of COVID-19 for Islamic financial institutions, especially Islamic banks. Therefore, some institutions tried to stay ahead in the digital game by introducing new digital services.

Another area of the industry that grew in prominence is Islamic FinTechs, which are challenging traditional Islamic banks. By looking at conventional Islamic banks, asset managers and takaful operators, many of these institutions oscillated towards partnering with fintech companies to widen their target markets. Some countries are even working towards developing a supporting ecosystem for it, such as Malaysia.

The Islamic finance industry also saw sustained consolidation activity among its Islamic banks and takaful operators, mainly in the GCC. Another active market in this is Indonesia, which saw a three-way merger of its Islamic banks in early 2021, while Turkey is considering a similar



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move by its publicly owned Islamic banks.

Sustainable Islamic finance continues to flourish. Since last year, many Islamic banks have been ramping up their green finance offerings. Meanwhile, more sustainability-driven Islamic capital market products such as sukuk and Islamic funds were launched in 2020 and so far in 2021, such as transition, sustainability and green sukuk along with ESG and waqf funds. Some markets are also prepping for this. For instance, Oman is revising its debt market regulation by adding a set of detailed clauses that include sustainable and responsible investment (SRI) sukuk such as green, social and waqf sukuk.

ISLAMIC FINANCE SUPPORT ECOSYSTEM RESHAPED BY THE PANDEMIC

The impact of the pandemic can also be noted in the industry's ecosystem, which encompasses Islamic finance regulations, education, events, etc.

In terms of Islamic finance governance, 47 countries have at least one type of Islamic finance-related regulation. Out of these regulations, sukuk has either been recently introduced in new markets such as Egypt and Uzbekistan or revised, such as the UAE and Oman. This given that sukuk is gaining traction and needs proper regulatory oversight in case non-payment occurs, as seen by some sukuk defaulting or restructuring during the pandemic.

Shariah governance is gaining an increased focus. Kuwait formed its Higher Committee of Shariah Supervision in October 2020, while the Shariah Governance Framework for Local Banks Operating in the Kingdom was released in February 2020. Moreover, Turkey's Banking Regulation and Supervision Agency created a legal infrastructure in October 2020 in which each Islamic bank should have its

own Shariah board.

Shariah governance also played a role in addressing issues posed by the pandemic, such as payment moratorium and how to deal with it based on the type of transactions and Shariah contracts. The industry is supported by 1,235 Shariah scholars.

As for the industry's corporate social responsibility (CSR), many Islamic financial institutions reported their charitable activities in response to the pandemic, some of which are part of government initiatives to support health professionals or sectors impacted heavily by the pandemic. The total CSR funds that were distributed throughout 2020 amounted to US\$1.28 billion. There was also an increased emphasis on employees' welfare and par excellence customer service to mitigate the impact of the pandemic on them.

When it comes to knowledge and awareness of Islamic finance, COVID-19 became a leading theme in Islamic finance research and events, totaling over 2,800 and 800, respectively. For events, seminars saw a notable rise as 93% of the events in 2020 were held virtually to cope with lockdown requirements and travel restrictions. Conferences, on the other hand, dropped because of this.

Given past developments and the trends so far in 2021, the Islamic finance industry is expected to grow to US\$4.8 trillion by 2025 in total assets, an average growth of 8% per year. We are already seeing some of the largest markets in Islamic finance with a potential for high growth, such as Saudi Arabia, Turkey and Indonesia, which will all drive the industry forward.

Mustafa Adil is the Head of Islamic Finance for Refinitiv, a London Stock Exchange business.

ISLAMIC FINANCE DEVELOPMENT INDICATOR

Your gateway to over 1,500 Islamic financial institutions data

Refinitiv, the world's leading provider of intelligent information for businesses and professionals, provides access to an **exclusive islamic finance database** that includes data on over 1,500 Islamic financial institutions, through its leading Refinitiv® Eikon platform, which provides insights to over 400,000 financial professionals around the world.

Islamic Finance Development Indicator (IFDI) is composite weighted index that measures the overall development of the Islamic finance industry. The information is comprehensively gathered from a universe of 135 countries and measured across more than 10 key metrics, including Knowledge, Governance, CSR and Awareness.

The database provides Islamic finance markets stakeholders with:



9+ years

Islamic finance
industry financial data



520+

Islamic banks financial data
across 73 countries



320+

Takaful operators
data across 45 countries



12,000+

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



1,700+

Islamic funds data
from 32 jurisdictions



1,200+

Shariah scholars data and
their board representation



1,000+

Islamic finance
education providers



840+

Islamic finance
events information

To access the IFDI page and the global Islamic finance database in Eikon, visit <http://bit.ly/IFDI-Eikon>.

New users can contact IFG@refinitiv.com to request access.

For more information, please visit the Refinitiv Islamic finance website: <https://refinitiv.com/en/islamic-finance>.

To download the Islamic Finance Development Report – IFDI 2021 visit <http://bit.ly/IFDI2021>.

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Moving Forward in the New Era of Business

The global pandemic has had a considerable impact on all aspects of our lives. Businesses of all sizes have had to deal with the ever-changing environment where many were forced to adapt, change, or diversify. Some businesses could not react to the socio and economic changes in a timely manner and had to close down for good. Governments across the globe have had to set up emergency task forces and councils to ensure the lives and livelihood of people and businesses are best protected. Many changes had to be made to survive and triumph in the 'new normal' as we know it. However, in the face of such adversity, the Malaysian economy has shown commendable resilience, growing by 7.1% in the first half of 2021. Disruptions in global supply chains in many parts of the world forced various industries to reinvent themselves. With enhanced digital transformation and increased government focus on vaccinations, more economic sectors are to re-open. These concerted efforts have helped jumpstart the country's economy.

The global Islamic economy remains on a strong growth trajectory as it primarily serves a large and growing global Muslim population. As the world becomes more concerned with environmental impact, responsible business practices, quality assurance and wholesomeness, halal products and services become more relevant to both Muslim and non-Muslim consumers. Halal products and services now represent quality assurance, hygiene, and an ethical way of conducting business. We will continue to build on this to bring the halal and green economies closer, as indeed, there are many commonalities between both.

The Malaysian Government has set the global standards for creating a successful halal economy, from a robust Islamic banking and finance industry to all-inclusive halal certification standards and policies. Through these efforts, Malaysia tops the world—for the ninth year running—in the Global Islamic Economy Indicator, according to the State of the Global Islamic Economy report.

According to the 12th Malaysia Plan (12MP) recently unveiled by the Economic Planning Unit (EPU), the halal industry is expected to contribute 8.1% to the country's gross domestic product and generate RM56 billion export revenue in 2025 as compared to RM30.6 billion in 2020. This is to be achieved through measures to enhance the halal industry's capacity and capability by uplifting the development of halal talent, establishing halal professional recognition, accelerating industry development, including

Bumiputera participation, increasing product competitiveness and positioning Malaysia as a global halal hub.

This development will be anchored through enhanced collaboration, competitiveness, and innovation in various sectors within the larger halal industry while positioning Malaysia as a global halal hub in which CIMB as a whole would play its part.

CIMB's HalalBizReady is a proposition that aims to prepare Small and Medium Enterprises (SMEs) to grow their businesses and excel in the international halal markets. HalalBizReady offers step-by-step guidance and financing solutions to help companies navigate through the stringent guidelines of halal certification, whether by getting their premises, operations, or supply network to meet the requirements. SMEs can also benefit from CIMB's knowledge partners who provide guidance and training with the objective of producing competitive products and services in international markets.

Through HalalBizReady, SMEs will gain access to a wider global and regional market via the CIMB Trade Club Alliance. This platform is an exclusive digital eCommerce ecosystem with 14 global banks with a presence in more than 50 countries as its members, with active business matching supported by the leading banks in the respective economies.

More importantly, this platform is not only an outbound solution but one where international industry players can reach out to us for assistance to tap and maneuver around our domestic halal ecosystem with ease.

CIMB Islamic is committed to supporting business resiliency and innovation in the face of significant change. The pandemic has created a greater appreciation for the planet we live on. CIMB Islamic keeps sustainability a key mantra in seeking business-driven solutions that enable people and the planet to thrive. In this regard, a cooperation initiative between Malaysia External Trade Development Corporation (MATRADE), Malaysian Green Technology and Climate Change Centre (MGTC), and CIMB Islamic to develop a green exporters framework was recently formalized to support Malaysian SMEs in the transformation and adaptation to the new norm. This will lay the foundations for Malaysia's leadership in the burgeoning green economy in the post-COVID-19 era.

Apart from our initiatives to develop SMEs, CIMB Islamic is also advancing our retail propositions with a suite of innovative Shariah-compliant products serving millions



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“Halal products and services now represent quality assurance, hygiene, and an ethical way of conducting business.”



of customers. The EcoSave Savings Account-i is a product embedding environmental protection and conservation. No paper statements, passbooks, or mailers, while the bank will contribute 0.2% of the average portfolio balance to support environmental conservation initiatives. We have disbursed close to RM3 million from this commitment for such projects across Malaysia and have committed to an additional RM1.5 million minimally in 2022.

The bank is harnessing the power of digitalization with the launch of the OctoSavers Account-i recently, the first fully digital Shariah-compliant digital savings account that provides customers with complete account onboarding digitally, via the use of electronic Know-Your-Customer (“e-KYC”), saving customers from the need to step into a branch.

In the capital markets space, CIMB Islamic’s sukuk

capabilities are highlighted in our roles in the issuances of the Government of Malaysia’s notable dual-tranche US\$1.3 billion Sukuk Wakala offering where the 10-year US\$800.0 million sustainability tranche was the world’s first USD sustainability sukuk offered by a sovereign, as well as the Government of Indonesia’s US\$3.0 billion global sukuk offering—including a US\$750.0 million green sukuk tranche—the first-ever 30-year and longest-tenured green sukuk issuance globally.

CIMB Islamic is playing an active role in the progress of the Islamic finance industry, guided by the principles of Value-Based Intermediation, resulting in practices and offerings that generate a positive and sustainable impact on the economy, community and environment. We are pleased to have made a difference in the lives of our customers and communities in Malaysia and beyond.

MUSLIM- FRIENDLY TRAVEL





Tourism had its worst-ever year in 2020, with international travel down by nearly 75% and destinations receiving 1 billion fewer tourists. 2021 has had more sunshine amid the clouds, with vaccination drives in developed economies helping the sector rebound, propelled by pent-up demand for vacations.

A

mid all the optimism, however, many countries have been on 'red lists,' warding off foreign tourists, while pandemic-related restrictions—from quarantining to vaccine passports—have also dented foreign travel. OIC countries have been negatively affected, especially the tourism hotspots of Egypt, Turkey, Indonesia, and Malaysia. Domestic tourism has, on the other hand, offset some of the losses, with governments launching tourism campaigns, while stimulus packages have helped businesses survive.

Yet while tourism receipts have plummeted, public and private investment is continuing, and there has been an upswing in activity in 2021.

Despite billions of dollars lost in unrealized revenues from pilgrimages, with Hajj and Umrah numbers heavily reduced, Saudi Arabia's Public Investment Fund (PIF) is investing in luxury resorts, an airline, and a cruise line in its efforts to expand leisure tourism.

The kingdom's Tourism Development Fund is also financing a US\$347 million complex near the Prophet Muhammad's (SAW) Mosque in Medina and launched Kidana, a US\$270 million company to develop holy sites. Due to the impact on pilgrimage, Hajj savings schemes have taken on greater importance in Nigeria and Malaysia.

Also, indicative of the potential upswing in travel, several OIC airlines are expanding their operations, while tourism infrastructure and transport are attracting investment.

Nonetheless, the pandemic has impacted large-scale national events, including the Tokyo Olympics, which was a particular blow for Muslim-friendly tourism and halal restaurants, which had banked on millions of tourists. Dubai, however, made the bold decision to host the EXPO 2020 Dubai in October 2021, attracting visitors from around the world, and giving the tourism sector a much-needed boost. Meanwhile, Qatar is continuing to build accommodation in the lead-up to the FIFA World Cup in 2022.

The digitalization of Muslim-friendly tourism has been particularly active, with contactless travel becoming increasingly commonplace and travel businesses diversifying their offerings to create new revenue streams, from eCommerce to food delivery.

There has also been significant investment activity with Indonesia-based Traveloka as well as Tiket.com, both planning to go public. HalalBooking.com secured US\$5 million in pre-Series B funding while Pakistan-based travel startup FindMyAdventure raised US\$600,000.

While tourism is set to rebound in many OIC countries, others are not expected to be so fortunate, as they have been adversely hit by political instability on top of the pandemic, such as in Lebanon and Tunisia.

As the world opens up again to tourism, Muslim-friendly resorts, hotels, and restaurants are slated for major growth in the years ahead.

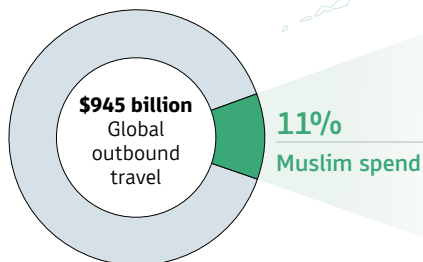
Muslim spend on travel was valued at US\$102 billion in 2021 and is forecast to grow to US\$189 billion by 2025.



Muslim-Friendly Travel

Represented by **\$102 billion** of spending by 1.9 billion Muslims in outbound travel (2021 est.)

ALL FIGURES
IN US DOLLARS



● Top 5 Muslim travel destination countries
(Muslim travelers, 2020 Inbound est.)

■ Top 5 outbound Muslim travel countries
(2021, est. outbound spending)

The thickness of the lines is proportional to the value of the country's exports

Saudi Arabia
4.0 million

2

*All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Muslim outbound travel spend estimates & analysis by leveraging UNWTO and World Bank data as baseline. Projections baselined using UNWTO forecasts. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology.
OIC: Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.

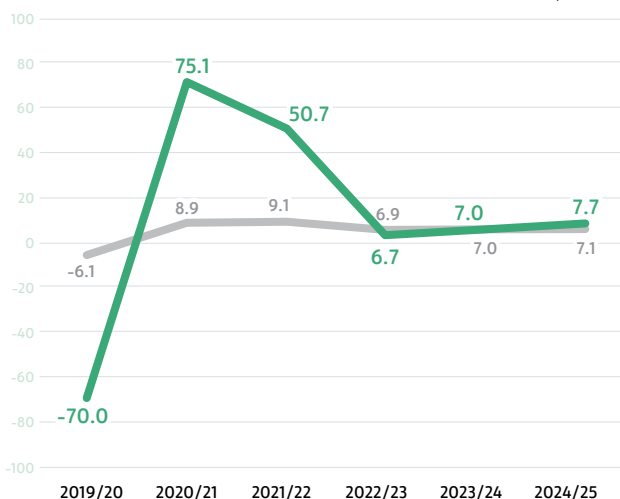


COVID-19 Impact Projections

Projected 4-year CAGR of 16.5% (2021/25) reaching **\$189 billion** by 2025 (outbound travel)

Projected Global Muslim spend on Tourism versus all halal products & lifestyle sectors

● All sectors ● Tourism (% YOY GROWTH, 2019-25)



Investments

The travel sector is ripe for investment opportunities as restrictions ease and the sector revives.

\$1.2 billion
in travel investments 2020/21*

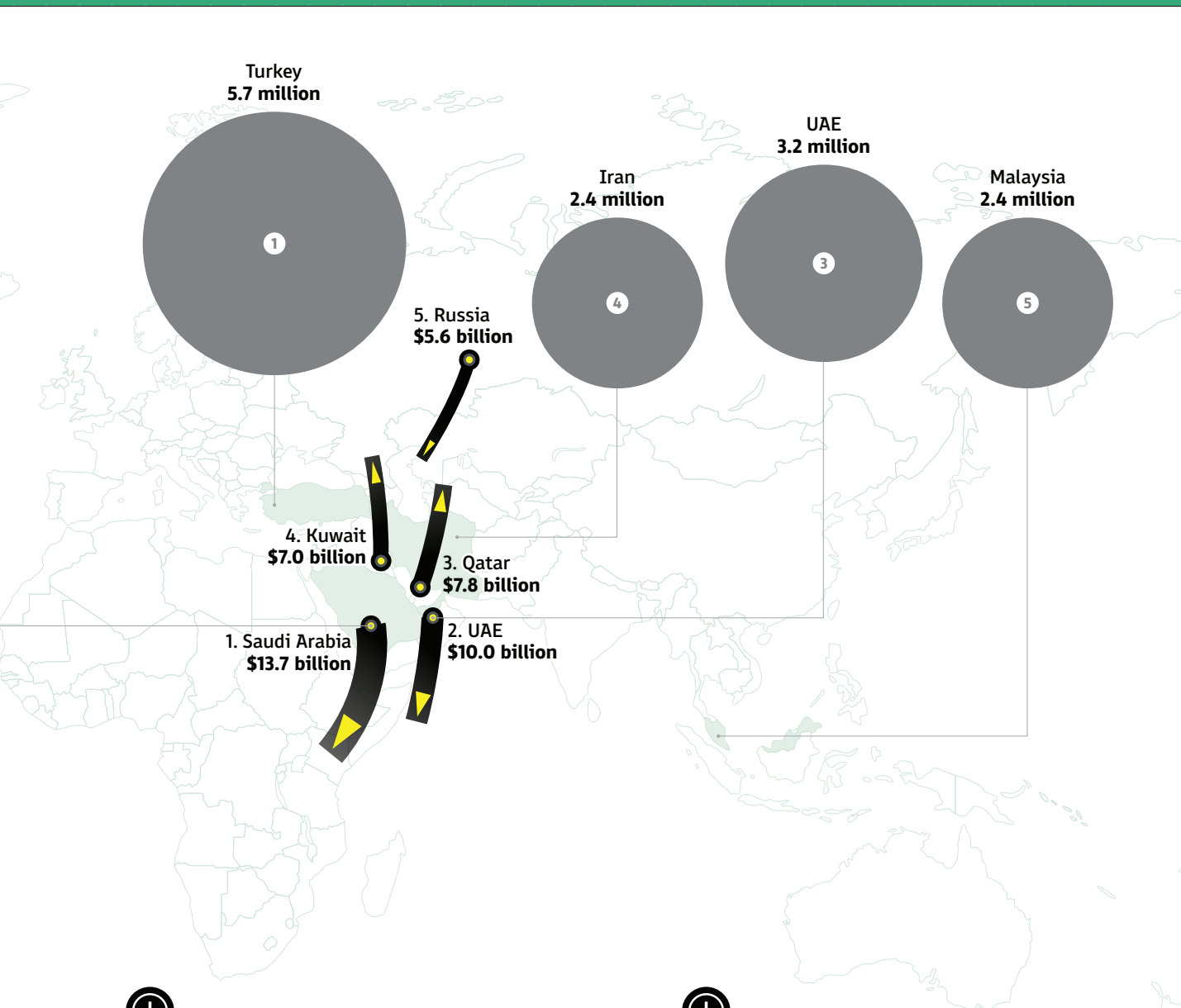
UAE theme-park operator DXB Entertainment was acquired by Meraas for \$1.2 billion

UK-based HalalBooking received a pre-series B investment of \$5 million

DEALS

Top countries with # of related deals in 2020/21

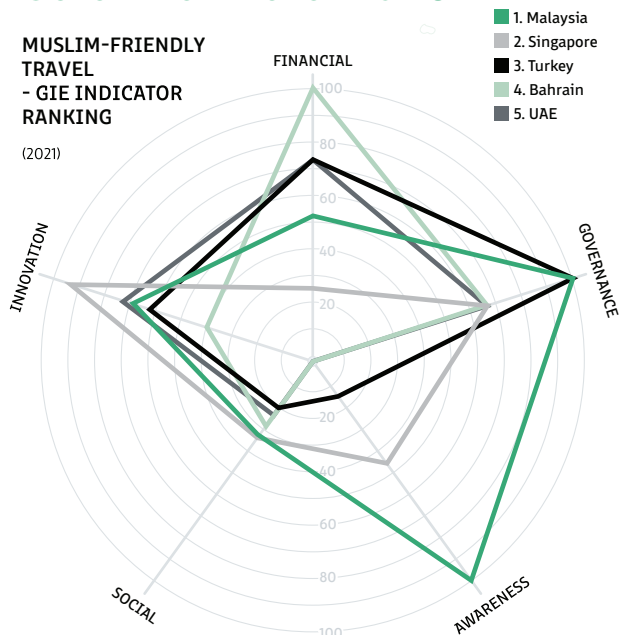




Government Benchmarks

MUSLIM-FRIENDLY TRAVEL - GIE INDICATOR RANKING

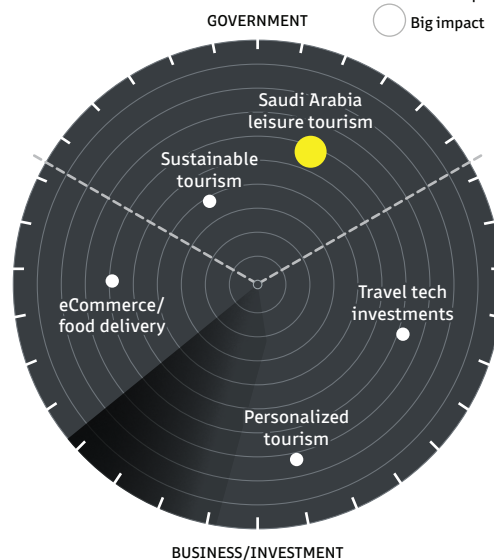
(2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact



2020/2021 Developments

Revenue/Investment Developments

LATEST PROJECTIONS

After the severe impact of the COVID-19 pandemic, Muslim spend on travel increased by 75.9% in 2021 to reach US\$102 billion from just US\$58 billion in 2020. Saudi Arabia, the UAE, and Qatar ranked as the top three countries by spend and retained their positions from last year. A CAGR of 16.5% is expected between 2021 and 2025, and the value of Muslim travel spend is forecasted to reach US\$189 billion by 2025.

Note: This does not represent the actual value of Muslim-friendly travel consumption. Rather, it represents the core addressable Muslim consumer market spending in the general travel category.

INVESTMENTS' SUMMARY

With many countries still imposing strict travel restrictions, the global travel industry is making a slow recovery from the devastation caused by the COVID-19 pandemic. Deals in the Muslim-friendly travel industry during 2020/21 were all venture capital deals and mostly related to digital travel-related solutions. Deals in travel increased from \$341 million in 2019/20 to \$1.2 billion in 2020/21.

Country	Deal Type	Sub-Vertical	Organization Name	Deal Value (US\$000s)
UAE	Merger/Acquisition	Leisure Facilities (Primary)	DXB Entertainments PJSC (DFM:DXBE)	1,245,660
United Kingdom	Venture Capital	Tourism, Travel	HalalBooking	5,000
Saudi Arabia	Venture Capital	Travel	Mabaat	2,400
Malaysia	Venture Capital	Travel, Travel Agency, Video, Virtual Reality	Igotopia Sdn Bhd	1,703
UAE	Venture Capital	Information Technology, Internet, Travel	Pickvisa.com	1,400

Leading travel OTAs are going public

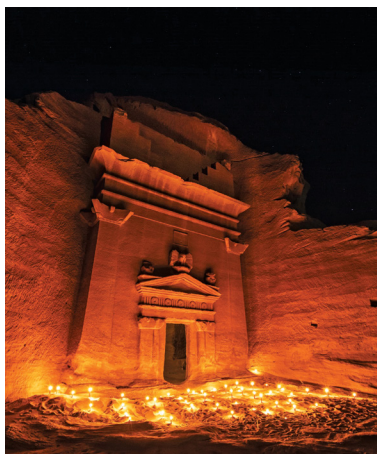
Both Traveloka and Tiket are planning to go public

- Traveloka was in advanced talks to raise US\$400 million and go public in the US through merging with Bridgetown Holdings, a special purpose acquisition company (SPAC), but is now looking at alternative options to go public.²²⁶ Meanwhile, Indonesian online travel company Tiket.com is exploring going public through a SPAC as it seeks to expand its business.
- HalalBooking.com secured US\$5 million in pre-Series B funding from the British Business Bank and angel investors.²²⁷
- Pakistan-based travel startup FindMyAdventure raised US\$600,000 in a pre-Series A round from a local and expatriate consortium.²²⁸
- The Saudi home rental platform Mabaat raised US\$2.4 million in seeding funding led by Dubai-based Derayah Ventures.²²⁹

Saudi Arabia is heavily investing in tourism

Saudi Arabia's Public Investment Fund (PIF) is investing in several luxury resorts as well as in an airline company and cruise line in a continued effort to expand its leisure tourism

- The PIF launched Saudi Cruise in January 2021 and, a few months later, signed a deal with Swiss-based MSC Cruise to deploy two cruise ships to Saudi Arabia.²³⁰
- Riyadh plans to launch a second national airline as part of its push to increase tourism and become a logistics hub.²³¹
- The PIF-owned Red Sea Development company secured a US\$3.76 billion green loan with four Saudi banks.²³²
- Indonesia's Hajj Fund Management Agency (BPKH) plans to invest in hotel operators in Saudi Arabia,²³³ while French Louvre Hotels plan to open 31 new properties in Saudi Arabia.²³⁴ Meanwhile, Indian multinational



Saudi Arabia is expanding its leisure tourism offer with developments such as The Red Sea Project (above and below) and AlUla, located in the northwest of the country, which was once part of the Nabatean civilization (left and bottom left)



conglomerate Tata is looking to expand its operations in Saudi Arabia, starting with a new luxury hotel.²³⁵

- Seera Group Holding partnered with Hong Kong-based Klook, a leading travel activities and services booking platform, to set up a full-fledged online platform to cater to tourism and entertainment activities providers in Saudi Arabia.²³⁶
- Seera Group signed a joint venture agreement to develop and manage hotels in Saudi Arabia.²³⁷
- The Ministry of Tourism appointed former WTTC CEO to the ministry. Meanwhile, UNWTO selected Riyadh for its Mideast headquarters.²³⁸

As part of Vision 2030, Saudi Arabia is investing in religious sites and aims to attract 30 million Umrah pilgrims

- Saudi Arabia's Tourism Development Fund is financing the building of a US\$347 million complex near Prophet Muhammad's (SAW) Mosque in Medina, which will include a five-star hotel, shopping mall, and entertainment facilities.²³⁹
- Saudi Arabia launched Kidana, a US\$270 million company, to develop the country's holy sites.²⁴⁰

OIC governments are taking measures to encourage domestic tourism

- Both Saudi Arabia and the UAE launched campaigns to promote domestic tourism. The 'Saudi Summer' campaign, launched in 2020, focused on encouraging locals to discover their own country. The campaign resulted in a 33% increase in hotel, restaurant, and activity spend compared to the same period in 2019.²⁴¹

- There has been an uptick in 'glamping' in the UAE, where domestic tourists enjoy luxurious outdoor accommodation. Ireland-based hospitality group Kerten is planning to open two eco-friendly resorts in Ras Al Khaimah.²⁴²
- Oman launched campaigns in 2020 and 2021 to promote domestic tourism and provided flexible travel packages.²⁴³ Meanwhile, the Ministry of Heritage and Tourism announced plans to invest US\$15.6 billion in developing tourism destinations in the governorate of Dhofar.²⁴⁴ As part of its post-COVID-19 tourism push, the Ministry plans to open tourism representative offices in seven markets abroad.²⁴⁵
- Indonesia national airline, Garuda, developed packages with Bali hotels tailored to the domestic market, while hotels promoted flexible booking to the local market.²⁴⁶
- Pakistan is building seven tourist resorts worth US\$13.4 million in the Balochistan province to attract tourism, along with coastal highways and beach parks.²⁴⁷



Two eco-friendly resorts are set to open in Ras Al Khaimah, UAE

RAKTDA

Operational Developments

Travel businesses are diversifying their offerings to create new revenue streams

Airlines are diversifying into eCommerce, while travel and transportation companies are entering into the food delivery business

- Malaysia's AirAsia launched an eCommerce platform as part of its Muslim-friendly brand Ikhlas as a way to diversify its business. The airline also expanded into food delivery in the region.²⁴⁸
- Another travel company offering food delivery is Traveloka, which had initially launched Traveloka Eats in 2018 as a restaurant directory, but by the end of 2020, it had expanded its business to offer food delivery.²⁴⁹
- Pakistan's mass transit app, Airlift, pivoted into grocery delivery and raised US\$85 million in financing.²⁵⁰
- UNWTO partnered with Google to deliver training for Destination Management Organizations (DMOs) using a new Capacity Building Curriculum developed by Google, which focuses on empowering destinations

to switch to digital.²⁵¹

- United Media Asia plans to build a large-scale film and TV production facility in Bali, Indonesia, a move that was welcomed by Indonesia's Minister of Tourism to diversify the island's economy and employ locals.²⁵² Meanwhile, The Saudi Arabian film Al Ula debuted at the Cannes Film Festival and showcased the mostly unexplored destination and its beautiful natural scenery.²⁵³

The travel industry has reconfigured to handle pandemic requirements, while countries have set safety regulations

Airlines made great strides in contactless travel

- Emirates is using biometric technology—a mix of facial and iris recognition—to facilitate contactless travel.²⁵⁴

Similarly, Etihad Airways is providing travelers with fast-track check-in at the airport with its recently-launched 'Verified to Fly' travel document initiative.²⁵⁵

- Emirates is installing premium-economy cabins in three of its existing Airbus A380 planes as it anticipates travelers requiring extra room.²⁵⁶

Countries are at different stages of requiring vaccine passports not only for travel but to attend local events

- The UAE requires proof of vaccination to attend live concerts, weddings, and social and institutional events like gala dinners and award ceremonies.²⁵⁷ Similarly,

in Saudi Arabia, people will need to show proof that they have received at least one vaccine dose to enter public and private institutions, including schools, shops, malls, markets, restaurants, cafes, concert venues, and public transportation. Saudi citizens will need two doses to travel abroad.²⁵⁸

- The Saudi Ministry of Hajj and Umrah is only allowing fully vaccinated pilgrims from non-banned countries into Saudi Arabia.²⁵⁹ Meanwhile, Riyadh permits fully vaccinated travelers from 49 countries to obtain a one-year multiple-entry visa that enables them to spend up to 90 days in the Kingdom.²⁶⁰

National and Trade Developments

Large-scale events have been hampered by the pandemic, while tourism infrastructure projects continued

The COVID-19 pandemic has impacted large-scale national events, including the Olympics

- Japan had been preparing for 1.4 million Muslim visitors to the Tokyo Olympics. However, due to COVID-19 safety concerns, the country barred overseas spectators. This was a huge setback to halal restaurants and foodservice providers who had been ramping up efforts to accommodate the influx of Muslim visitors during the games.²⁶¹
- Expo 2020, the World Expo hosted by Dubai, originally scheduled for 2020, was rescheduled to 2021 because of the pandemic while retaining the brand name Expo 2020 for branding purposes.

Despite large-scale events being affected by the pandemic, countries continued adding new hotels to prepare for future events

- Qatar plans to add 105 new hotels and serviced apartments in preparation for the FIFA World Cup 2022.²⁶²
- The UAE is adding new four-star and five-star hotels in 2021 in anticipation of the increased number of visitors to the Expo 2020 Dubai event, adding 12,000 rooms.²⁶³

Indonesia is developing tourism infrastructure, Oman is supporting capacity-building projects in East Africa, and Saudi Arabia is localizing tourism jobs

- Indonesia allocated US\$275 million to spend on tourism infrastructure projects in 2021 to develop five "new Balis".²⁶⁴
- Oman signed an agreement with UNESCO to support capacity-building for projects in five Eastern African countries: Comoros, Kenya, Madagascar, Somalia, and Tanzania, worth US\$684,000.²⁶⁵
- Saudi Arabia announced plans to localize 100,000 tourism jobs by the end of 2021 as part of the Kingdom's 2030 Vision.²⁶⁶

The UAE and Saudi Arabia have launched an ambitious railway to connect the GCC region

- The Etihad Rail network, launched in 2016, is set to connect all seven emirates and eventually connect the UAE with Saudi Arabia and other GCC countries.²⁶⁷
- Saudi Arabia's two national railway companies will merge as the country's original railway—Saudi Railways Organization (SRO)—will be taken over by Saudi Railways (SAR).²⁶⁸

Despite losses estimated at US\$126.4 billion by the International Air Transport Association (IATA), several OIC airlines are expanding their wings

- Ryanair is investing US\$200 million to establish a new base in Agadir, Morocco, representing its third base in Africa.²⁶⁹
- Air Senegal launched US services from Dakar to New York and Washington D.C. to increase trade and tourism to Senegal.²⁷⁰
- The Pakistan Civil Aviation Authority (PCAA) granted three licenses to launch special flight services to tourist destinations and is encouraging the private sector to construct new landing strips and helipads.²⁷¹

Most OIC governments provided stimulus packages to the tourism industry

- Malaysia spent US\$25.2 billion on income support during the pandemic.²⁷² In terms of the tourism industry, the package provided a 12-month loan moratorium for bus and taxi operators, electricity bill discounts for hotels, shopping centers, and theme parks, and a month's worth of wage subsidy.²⁷³
- The UAE announced a US\$70 billion stimulus package (20% of GDP), which includes reduced central bank interest rates, zero-interest-rate loans to banks, limits on bank fees for SMEs, and rebates on commercial lease payments in the hospitality sector.²⁷⁴

- The Turkish government provided a support package worth US\$75.3 billion (12.7% of GDP), including measures such as loan guarantees to firms and households, tax deferrals, equity injections into public banks, and short-term work schemes.²⁷⁵
- Tunisia announced US\$2.6 billion (2.3% of GDP) in fiscal measures to offset the impacts of COVID-19, which included an interest rate subsidy to the tourism sector, unemployment support, and cash to low-income households.²⁷⁶
- In 2020, the Indonesian government distributed US\$40.3 billion (3.8% of GDP) as part of a national economic recovery program, including expanded unemployment benefits, tax relief for the tourism sector, and corporate

income tax rate reductions.²⁷⁷

- Azerbaijan announced US\$1.94 billion in support of affected businesses and individuals. Measures include a one-year exemption from land and property tax for the tourism and other select sectors, a 75% income tax exemption, among other measures.
- In 2020, Jordan announced a host of measures to support the tourism sector, including allowing the industry to pay its taxes in installments, reducing taxes for hotels and restaurants, and re-instating a one-year military service to support youth unemployment. In March 2021, the government announced a US\$631.9 million social welfare stimulus package.²⁷⁸

Ecosystem Developments

Regulations related to COVID-19 safety requirements, quality standards, and Muslim-friendly tourism are being rolled out

Regulations related to Hajj and Umrah have been adjusted to incorporate COVID-19-related realities

- The Saudi government is allowing hotels in Mecca surrounding the Grand Mosque to issue permits to guests as an additional revenue stream for hotels, which have been heavily impacted by the pandemic.²⁷⁹
- The World Hajj and Umrah Care Foundation (WHUCF) is working alongside authorities in Saudi Arabia to develop a Hajj and Umrah Safe Corridor. This is being deployed in 25 countries worldwide. The Corridor introduces heightened health and safety protocols to ensure the authenticity of COVID-related medical documentation.²⁸⁰
- The cost of performing Hajj and Umrah is expected to increase due to the additional cost of implementing COVID-19-related health and safety protocols,²⁸¹ as well as due to the increase in VAT from 5% to 15% in 2020.

Quality standards have been rolled out in Abu Dhabi

- The Department of Culture and Tourism – Abu Dhabi (DCT Abu Dhabi) launched tourism quality standards and a licensing framework to improve the quality of tourism through competitiveness among industry players.²⁸²

Malaysia has made further progress in halal tourism regulations

- The Islamic Tourism Center (ITC) has launched the official logo for the Muslim-Friendly Accommodation Recognition (MFAR), which is an extension of the Ministry of Tourism's star rating system, and the first Islamic tourism-related recognition issued by a government agency.²⁸³

Hajj savings schemes are at the forefront for Nigeria and Malaysia, while domestic tourism is being encouraged in the GCC

National Hajj savings scheme has been launched in Nigeria, while the well-established Tabung Haji in Malaysia is placed under additional supervision

- The National Hajj Commission of Nigeria (NAHCON) launched a Hajj savings scheme in collaboration with Jaiz Bank Plc., which will allow low-income individuals to save for pilgrimage.²⁸⁴
- Meanwhile, Malaysia's Tabung Haji has been placed under central bank regulation to improve the institution's management and operations.²⁸⁵

UAE and Indonesia are taking measures to attract more expats

- Dubai announced a new remote work visa program in Oct 2020, which allows visitors to live in the city for up to one year.²⁸⁶ Similarly, Indonesia announced it will be granting digital nomads in Bali a 5-year visa, with no taxes on foreign-sourced income.²⁸⁷

Non-OIC countries are launching initiatives to attract Muslim tourists

- The Philippines launched a halal culinary tourism program to attract Muslim tourists,²⁸⁸ while South Korea partnered with Malaysia's Halal Development Corporation (HDC) to establish Seoul as a Muslim-friendly city and enhance hospitality services for Muslims.²⁸⁹

New tourism products are being developed

- Indonesia is developing a Syaria Quadrathlon, which will include endurance horse-riding, swimming, running, and archery as part of the country's focus on developing new tourism products focused on sports, nature-based, and wellness tourism.²⁹⁰



SHUTTERSTOCK

The “My Heritage Turkey” sustainable routes aim to benefit local economies

Dubai’s 2040 Master Plan pushes for a strong sustainable urban development

WAM



Social Impact Developments

Sustainable tourism is being prioritized

Sustainability is at the forefront of tourism and urban development in Saudi Arabia and the UAE

- In partnership with the World Bank, Saudi Arabia pledged US\$100 million to create a global fund dedicated to sustainable tourism.²⁹¹ Meanwhile, sustainability is at the core of several of the mega tourism projects Saudi Arabia is developing, including Neom, a US\$500 billion megacity.
- Dubai's 2040 Urban Master Plan places a strong emphasis on sustainable urban development for the Emirate,²⁹² while Dubai's Roads and Transport Authority (RTA) has endorsed a long-term plan to reach zero emissions from public transport in Dubai by 2050.²⁹³
- Gojek, an Indonesia-based app for transportation, food delivery, digital payments, and other services, is committed to net-zero carbon emissions.²⁹⁴ Gojek merged with Indonesia's eCommerce platform, Tokopedia, in 2021 to form GoTo Group, with plans for a dual listing in New York and Jakarta.²⁹⁵
- Pakistan launched a 10 Billion Tree Tsunami Project with the support of the United Nations Environment Programme (UNEP). The goal of the project is to plant 10 billion trees by 2023 to restore its ecosystems since the country is particularly vulnerable to the negative impacts of climate change.²⁹⁶

Lebanon was a popular destination in the summer of 2021

RAMY KABALAN/ UNSPLASH



There are glimmers of hope for OIC nations grappling with multiple crises

- Tourism in Palestine, which was already suffering pre-COVID-19 due to the occupation, was further hit by the mandatory closures imposed by the pandemic. The Palestinian Ministry of Tourism and Antiquities (MoTA) established the Palestine Tourism Recovery Taskforce, including representatives from both the public and private sectors.²⁹⁷
- Lebanon, which is facing an economic crisis on top of the COVID-19 crisis, with the devaluation of its currency by over 90%, has proven to be a popular destination in the summer of 2021 because of its favorable exchange rate and the easing of pandemic-related restrictions.²⁹⁸
- War-ravaged Syria's tourism sector has been further impacted by COVID-19, which has put an additional strain on the country. According to the World Travel and Tourism Council (WTTC), tourism receipts declined by 76% in 2020.²⁹⁹
- Religious tourism is an important segment in Iraq, with 6 million domestic and international Shia pilgrims visiting Karbala to mark the holy day of Ashura.³⁰⁰ To boost the country's economy, Iraq started providing visas on arrival in March 2021 to travelers from 37 countries.³⁰¹
- According to WTTC, airline passenger traffic is estimated to have dropped 64% in Afghanistan in 2020 due to the COVID-10 pandemic.³⁰² With an already small tourism sector, the country's tourism is expected to drastically decline due to the recent political crisis in the country.

International donors are backing sustainable tourism programs in several OIC countries

- The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) is implementing a sustainable tourism project in coordination with the Tunisian Ministry of Tourism. This focuses on developing alternative tourism options related to culture, nature, and sports while implementing environmentally and socially sound approaches.³⁰³
- The United Nations Development Program (UNDP), along with a Turkish travel agency (Jolly), developed sustainable tourism routes in Turkey as part of the "My Heritage Turkey" campaign. The selection of routes aims to benefit local economies, while the campaign seeks to raise awareness around responsible tourism.³⁰⁴
- Swisscontact is implementing a sustainable tourism program in Morocco with the aim of reducing poverty and creating new jobs, especially for young people and women.³⁰⁵
- The EU is funding a sustainable tourism project in Kazakhstan focused on developing the tourism industry while preserving the environment and people's cultural identity.³⁰⁶

SIGNALS OF OPPORTUNITIES

Diversification of travel company offerings and expansion of their services across other halal economy sectors

The slowdown of tourism has forced travel companies, including airlines and OTAs, to expand into eCommerce and food delivery, which will help strengthen the industry's resilience.

Saudi Arabia's strong push in leisure tourism will change the landscape of top tourism players

Not traditionally regarded as a leisure tourism destination, Saudi Arabia's heavy investment in the sector is expected to pay off.

Sustainability is at the forefront of tourism recovery at both a government and industry level

The standstill in tourism during the pandemic has given governments and the industry an opportunity to evaluate the negative impacts of tourism on the environment as well as on local communities.

The public listing and M&As within the travel technology space in OIC countries will further put them on the map as global contenders

Both Traveloka and Tiket, Indonesia-based OTAs, are planning to go public, possibly through mergers.

Travel agencies have become increasingly crucial in helping travelers navigate diverse COVID-19 related requirements

While online booking is still strong and relevant, there has been an uptick in the need for personalized travel services related to COVID-19 safety measures and navigating the constantly changing travel restrictions and requirements.

Strategic Considerations by Stakeholder

Overview

Saudi Arabia is investing heavily in the tourism sector, as its goal is to become a global tourism player. With the Kingdom's tourism infrastructure and product development needs, there's an opportunity for investors across various tourism sectors. Whereas travel technology in new emerging markets such as Pakistan, Bangladesh, Egypt, Nigeria, and Algeria is an equally attractive opportunity.

For governments, the importance of building long-term resilience in the tourism sector has come to the forefront

due to the COVID-19 pandemic. The pandemic also highlighted the importance of addressing tourism sustainability issues and that ignoring them would be detrimental to the well-being of communities and the planet.

Travel businesses would benefit from expanding their service offerings to hedge against future risks. They are also advised to explore travel technology, especially as related to new products such as fintech and new technology such as AI and blockchain, which are sizable opportunities.

Investors

Tourism investment in Saudi Arabia is a growing opportunity, given the government's strong focus on developing its tourism infrastructure. Travel technology in new emerging markets is an equally attractive investment opportunity.

OPPORTUNITIES

1

Heavy government investment in the tourism sector in Saudi Arabia will open doors for private sector investments in the country, as well as have ripple effects around the region.

Despite the pandemic, Saudi Arabia continued to invest in tourism. Both public and private investors from overseas are already starting to invest, with Indonesia's Haj Fund Management Agency (BPKH) investing in hotel operators while Indian multinational conglomerate Tata is looking to expand its operations, starting with a new luxury hotel.

Relevant Developments & Precedents

- Another country that plans to invest heavily in tourism is Indonesia, which aims to spend US\$275 million on 108 infrastructure projects to develop a series of "new Balis".

Potential Outcomes by 2030

- Saudi Arabia will become one of the top luxury tourism destinations in the region.

2

Investment in travel technology in new emerging markets, including Pakistan, Bangladesh, Egypt, Nigeria, and Algeria, which have large populations of young digitally savvy individuals.

According to the World Bank, 43% of Nigeria's population, 35% of Pakistan's population, 34% of Egypt's population, and 27% of Bangladesh's population is 14 years of age or younger.³⁰⁷ In terms of internet penetration, it is 61% for Nigeria, 57% for Bangladesh, and 48% for Egypt.³⁰⁸ These demographics represent sizable investment opportunities in travel technology.

Relevant Developments & Precedents

- Gobi Partners launched a US\$20 million fund in partnership with Pakistan-based Fatima Ventures in 2019 to invest in early-stage technology startups, including Sastaticket and Airlift.³⁰⁹

Potential Outcomes by 2030

- Emerging economies will be home to multiple unicorns in travel technology.

CHALLENGES

1

Limited financing available for travel technology startups.

While large OTAs have succeeded in securing financing, smaller travel technology companies and startups are struggling to attract investment. Investors are focusing more on health tech along with fintech.

Risk

- Travel technology startups will fail to scale as they will lack the funding to further invest in their technology and gain market share.

Governments

The pandemic highlighted the need for governments to build long-term resilience in the tourism sector. In addition, addressing sustainability issues related to the sector is paramount.

OPPORTUNITIES

1

Build long-term resilience in the tourism sector through investing in the aviation and hospitality sectors, which were among the hardest hit by the COVID-19 crisis, as well as have equity stakes in travel SMEs.

Most countries provided stimulus packages to the industry in the form of loans, grants, or tax waivers. However, to increase the resilience of the travel industry, governments could take an equity stake in major sectors as well as in SMEs.

Other means to build the industry's resilience are through an endowment fund for tourism, developing insurance schemes for the sector, or implementing a universal basic income to serve as a safety net for tourism staff.

Relevant Developments & Precedents

- The Canadian government agreed to buy US\$400 million worth of shares in AirCanada to rescue the airline from the impact of COVID-19.³¹⁰
- The city of Stockton, California, implemented a universal basic income experiment by giving randomly selected residents US\$500 per month for two years.³¹¹

Potential Outcomes by 2030

- The tourism industry will become more resilient in the face of future threats, including global pandemics.

2

Governments must address sustainability in the tourism sector, especially in terms of environmental sustainability and the well-being of local communities.

The UN's Climate Change 2021 report warns that unless governments and businesses take action, sea levels will continue rising. There will be an increase in droughts and more severe heatwaves, which will impact health, agriculture, and infrastructure. All of these will have an impact on tourism. Furthermore, damage to natural resources affects the quality of tourism products. In terms of local communities, before the pandemic, there were protests by locals in Venice and Amsterdam, against tourism.

Relevant Developments & Precedents

- Malaysia's 10-year National Tourism Policy, launched in December 2020, aligns with the United Nations SDGs.³¹²
- Greenpeace demanded that airline bailouts come with strict conditions on their future climate impact.
- As a result of pressure from investors and climate activists, Boeing and Airbus have been developing aircraft with lower emissions.

Potential Outcomes by 2030

- The tourism industry will be instrumental in achieving the UN's SDGs as identified in the 2030 Agenda for Sustainable Development.

"In championing Islamic Tourism, one of the narratives we use to drive industry interest is that Islamic Tourism strengthens business growth, environmental awareness and protection, tolerance, integration, cultural and heritage appreciation, and more."

Dr. Mohmed Razip Hasan, Director General, Islamic Tourism Center, Malaysia





THE RED SEA PROJECT

Saudi Arabia will become one of the top luxury tourism destinations in the region with developments such as The Red Sea Project

CHALLENGES

1

Implementing sustainable tourism strategies faces many obstacles, including lack of awareness by tourism stakeholders and the prioritization of economic objectives over environmental and social issues.

Tourism can harm a destination's natural assets and its local community. The tendency of governments to focus on short-term objectives entails the prioritization of the economic over social and environmental issues.³¹³ Weak stakeholder involvement and support and insufficient resources committed to sustainability strategies implementation are among the many challenges.

Risk

- Lack of substantial measures taken to ensure sustainability in the tourism sector will harm both the sector and local communities.

Businesses

Expanding service offerings is an opportunity for travel businesses. Travel technology, especially related to new products such as fintech and new technology such as AI and blockchain, is a sizable opportunity.

OPPORTUNITIES

1

Travel businesses have the opportunity to diversify their offerings into innovative alternative sectors to hedge against future risks.

By expanding their services to accommodate the everyday needs of locals, such as food and grocery delivery, laundry services, and other lines of business that are not dependent on inbound tourists, travel companies can continue generating revenue despite fluctuations in tourism.

Relevant Developments & Precedents

- Traveloka, the Indonesian online booking company, expanded into food delivery in late 2020. Pakistan's transportation app, Airlift, expanded into grocery delivery, while AirAsia launched an eCommerce platform.

Potential Outcomes by 2030

- The emergence of resilient travel companies that can withstand future shocks to the travel industry.

2

Focus on travel technology, including digitization concentrating on operational transformation utilizing AI and blockchain, as well as technology related to new products such as travel fintech and insurance.

Blockchain is at the core of biometrics-based touchless travel at airports, secure payments, and many other services. AI is central in customer retention and conversion through customized recommendations.

Fintech is starting to become an important add-on to digital travel, especially with different payment platforms and digital wallets being used globally, along with fluctuating exchange rates and the unpredictability of travel plans during the pandemic.

Relevant Developments & Precedents

- The fintech unit of AirAsia (BigPay) raised US\$100 million in financing from SK Group.³¹⁴
- Booking Holdings (which owns Booking.com, Kayak, and Priceline) announced it was launching a fintech unit.³¹⁵

Potential Outcomes by 2030

- Muslim travel companies that focus on technology will become global players.

CHALLENGES

1

Hygiene and safety requirements are eroding the revenues of tourism businesses.

COVID-19-related cleaning protocols are estimated to cost the hospitality industry US\$9 billion a year.

Risk

- While larger brands will be able to mitigate the costs, this will be a burden to smaller hospitality establishments and other travel businesses.

“Today, we make 70% of our revenues from our financial products.... In the midst of the pandemic, in 2020, we actually doubled our revenue, which is unique in the travel category. The other companies we compete against are still losing money because they're still dependent on the travel revenue.”³¹⁶

Frederic Lalonde, CEO and Co-Founder, Hopper



Gen Z & Millennial Perspective

on Muslim-Friendly Travel

■ Millennial ■ Gen Z

My Views

WHAT DO YOU CONSIDER MUSLIM-FRIENDLY TRAVEL TO BE LIKE?

"Muslim-friendly travel for me is when the traveler can experience and enjoy activities in a country while still meeting their Islamic obligations and needs such as prayer and halal food."

Amira Rahmat
Singapore, Millennial

"I have to convince my parents to let me travel, and the first question that comes to their mind is the community I am going to be in. A religious community, with the availability of mosques and halal food, is important for them. Also, usually, they say I would be allowed to travel once I get married. The company with whom I spend my time is important for them."

Mohammed Mishal
UAE, Gen Z

"I think how a place portrays Muslims and Islam is also important. My friends, for example, have told me Amsterdam Airport is terrible for Muslims. Don't go there. Or Denmark at the time when they tried to ban the hijab. But my friends encouraged going to Spain as it's a friendly place for Muslims."

Riley Logan
USA, Gen Z

"I travel alone more to non-Muslim countries than to Muslim countries. And interestingly, even my parents feel more comfortable with me traveling in the West compared to traditional Muslim countries. What matters is not if a country is Muslim or not, but my safety in general as a woman, and especially a visibly Muslim woman. For example, when I wanted to travel from Canada to the US for my studies, I took the bus instead of a plane. For my first exchange to Switzerland, my dad accompanied me to ensure I was in a safe environment."

Hebah Nigm
Austria, Millennial

"Muslim-friendly travel for me is when the traveler can experience and enjoy activities in a country while still meeting their Islamic obligations"



Travel Habits

IF YOU WERE TO TRAVEL FOR A VACATION NOW, WHERE WOULD YOU GO AND WHY?

"The first place I would imagine myself going to after being in lockdown would be to go to a nice island, with fresh water, virgin colada and virgin drinks."

Muhammad Abdul-Aleem
USA, Millennial

"I would go to Turkey. During the pandemic, I spent my time watching Turkish movies and admired the places I saw. My last visit was in 2016, and I want to visit again. Besides, I love the food, the people and the environment."

Handika
Indonesia, Millennial

"I would also like to go to Turkey. I've been learning Turkish for 4-5 years now, and I'm sharing a lot of content on social media. I have a big Turkish following now and many Turkish friends here in Austria as well. Like Handika, I watch lots of Turkish TV series. And I've been to Turkey once before, but I really want to go again, because of all the reasons that Handika already said, it's a great place."

Hebah Nigm
Austria, Millennial



DOES IT MATTER IF A DESTINATION IS MUSLIM-FRIENDLY OR NOT? WHAT DO YOU LOOK FOR IN A TRAVEL DESTINATION?

"As a flight attendant, I had the opportunity to go to places such as India or lesser-known cities in China. I am comfortable traveling to non-Muslim destinations as long as I am able to fulfill my religion's obligations. But again, I think millennials have different comfort levels and may differ from person to person."

Amira Rahmat
Singapore, Millennial

"When I travel, I look for a mosque and then try to branch out hotels that are close to the mosque. Also, I do want better bathrooms! I usually have to carry a bidet or small water bottles. I've been to Yemen, Morocco, Saudi, Dubai, Turkey, and all over the Muslim hemisphere and never needed a bidet. It's always available."

Muhammad Abdul-Aleem
USA, Millennial

My Suggestions

WHAT SUGGESTIONS DO YOU HAVE FOR THE TRAVEL INDUSTRY, ESPECIALLY AS RELATED TO THE NEEDS OF GEN Z/ MILLENNIAL MUSLIM TRAVELERS?

"Cost-effectiveness. The general theme of Gen Z is that we're broke. Either we are really young, or just about to graduate from college. I would also emphasize the safety aspect. Because Gen Zs either have really strict parents or relaxed parents, so being able to get accurate information on the safety of a place is important."

Riley Logan
USA, Gen Z

A lot of our perception is what's happening in the news right now, all the negativities being highlighted. The travel industry can help by providing a more personalized message, understanding the traveler's needs and providing an accurate image of the country they wish to travel to."

Mohammed Mishal
UAE, Gen Z



@HOOPFINESSE

"When I travel, I look for a mosque and then try to branch out hotels that are close to the mosque. Also, I do want better bathrooms!"

"When I went to Japan, I was given a complete guideline on where halal food is available. And even at times, they tell you what perception the Japanese have about Muslims"



@ALYSSA HNNH

"For me, what is really helpful when traveling is if you are given a complete guideline from the authority. When I went to Japan, I was given a complete guideline on where halal food is available. And even at times, they tell you what perception the Japanese have about Muslims. They tell you how to act, what to wear, and what not to say because certain words in our language can offend the Japanese."

Alyssa Nur Hannah
Malaysia, Gen Z

MODEST FASHION





MODANISA

The COVID-19 pandemic had an unprecedented impact on the multi-billion-dollar global fashion industry, with sales dropping by more than one-third in 2020. Major brands closed retail stores, malls pulled down their shutters, and consumer purchasing power weakened.

M

odest fashion had been performing well prior to the pandemic, increasingly visible on retailers' shelves, on the high street, and in fashion shows. Like the rest of the fashion industry, modest garment sales were impacted yet started to rebound in 2021 as the industry has adapted, while high vaccination rates in more developed countries have bolstered sales.

The significant shift was into eCommerce, with high double-digit growth in sales in the major modest fashion markets of Turkey, Indonesia, Malaysia, and the GCC. Brands have invested heavily in digital sales and marketing, and fashion shows have gone virtual, often with a positive outcome, as such events are reaching more eyeballs than before. Young modest fashion brands are grabbing the attention of investors and have been included in key mainstream fashion weeks.

Indicative of such strategies is Turkish modest fashion giant Modanisa launching a platform in Malaysia with a virtual fashion show. During Ramadan, the site saw sales surge by 70% in the UK.

Investment has flowed into digitalization, with US-based Haute Hijab launching their UK site following funding from a venture capital firm. Modest fashion luxury brand Elle B Zhou launched using a specially created 3D virtual version of Saudi model Shahad Salman. New apps have been released, while social media, artificial intelligence, and consumer outreach are increasingly used to get consumers' attention.

Physical stores have retained their allure, however, with new modest fashion stores opening in the GCC and East Asia. Mainstream fashion brands have continued to develop their own modest fashion lines, often through collaborations, with new hijab collections garnering particular attention as well as innovative modest sportswear. Notably, Malaysian brands Mimpikita and CalaQisya have partnered with Disney for their modest wear collections.

With the pandemic changing consumer behavior, brands have doubled down on more ethical and sustainable sourcing initiatives. At the same time, inclusivity has also become a key focus. This is all playing into the hands of the modest fashion sector, with an additional push from several new platforms that educate people on modest fashion.

Governments have been catalysts for growth in modest fashion, from the GCC to East Asia, backing fashion shows, supporting start-ups, and aiding the overall ecosystem. In non-Muslim majority countries, however, there has been some push-back, with laws proposed to ban the hijab and niqab in several European countries.

With modest fashion increasingly part of the mainstream, the sector is rebounding from the pandemic and set for further growth.

Muslim spend was US\$295 billion in 2021 and is forecast to reach US\$375 billion by 2025.



Modest Fashion

Represented by **\$295 billion** of spending by 1.9 billion Muslims on clothing (2021 est.)

ALL FIGURES
IN US DOLLARS

\$27 billion
of clothing imports
by OIC* countries
(2020)



Top 5 clothing Muslim consumer markets
(2021)



Top 5 exporting countries to OIC (2020)

The thickness of the lines is proportional to the value of the country's exports

Egypt
\$18.7 billion

5

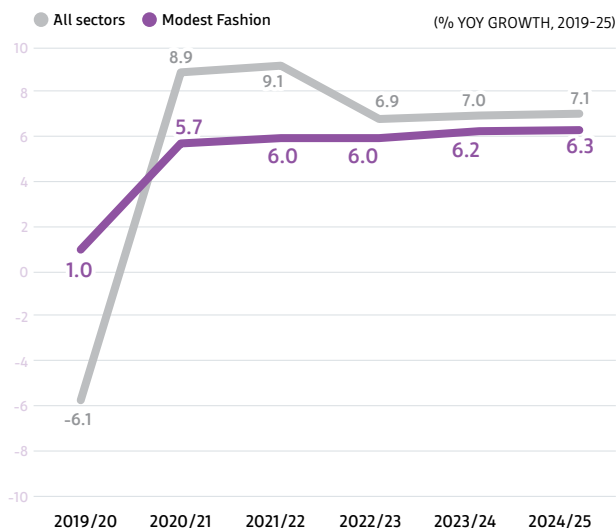
*All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Clothing imports by OIC are based on ITC Trademap 2020 data. Projections are baselined on data from IMF Outlook from April 2021. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology.
OIC: Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



COVID-19 Impact Projections

Projected 4-year CAGR of 6.1% (2021/25) reaching \$375 billion by 2025

Projected Global Muslim spend on Clothing versus all halal products & lifestyle sectors



Investments

Increased online shopping reviving the fashion sector and attracting potential investment opportunities.

\$28 billion
in modest fashion investments
2020/21*

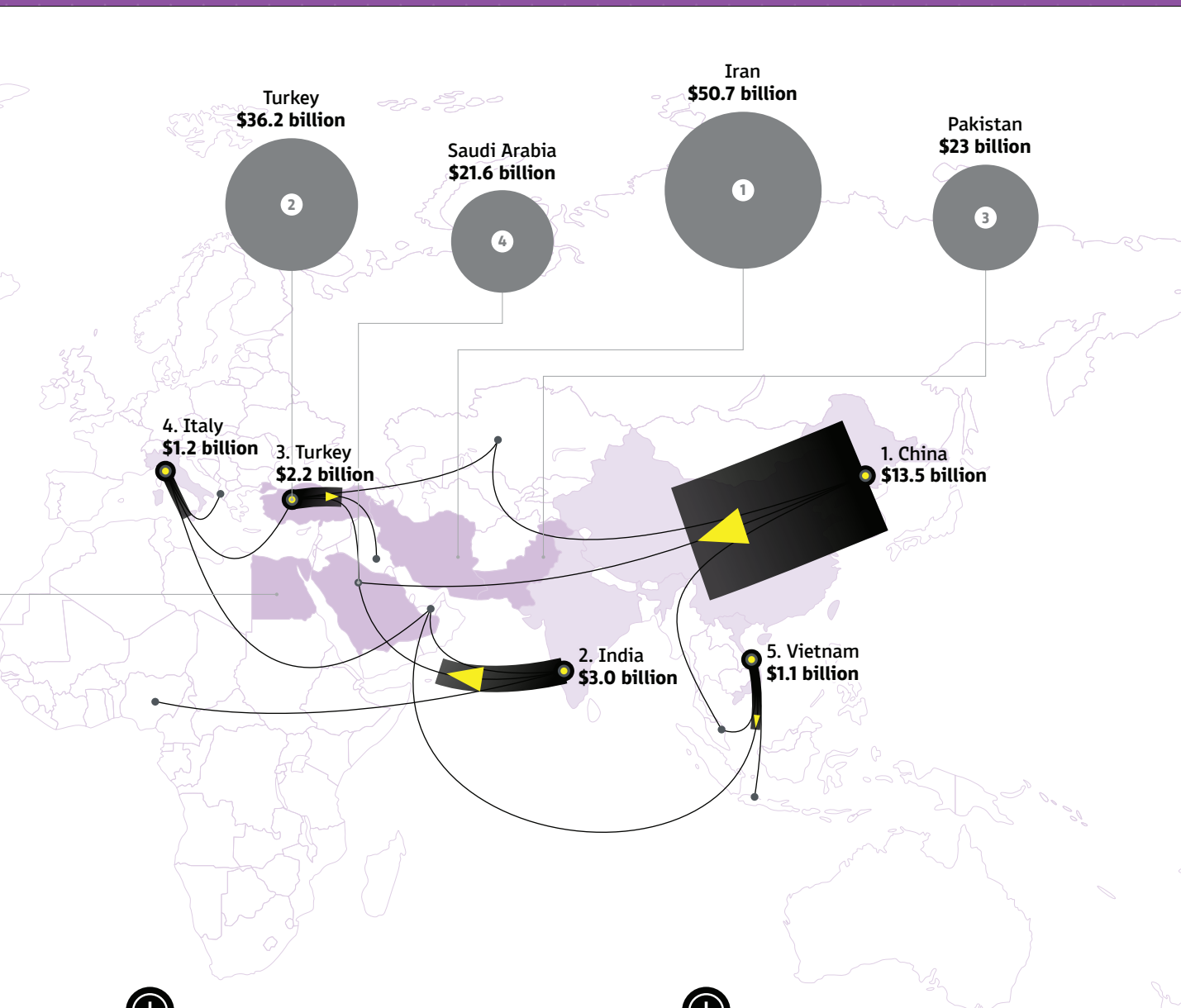
Egyptian Saudi Insurance House purchased a total of 18.6% of Egypt's Dice Sport and Casual wear shares.

Egypt's Sigma Fit attracts \$500 million investments.

DEALS

Top countries with # of related deals in 2020/21

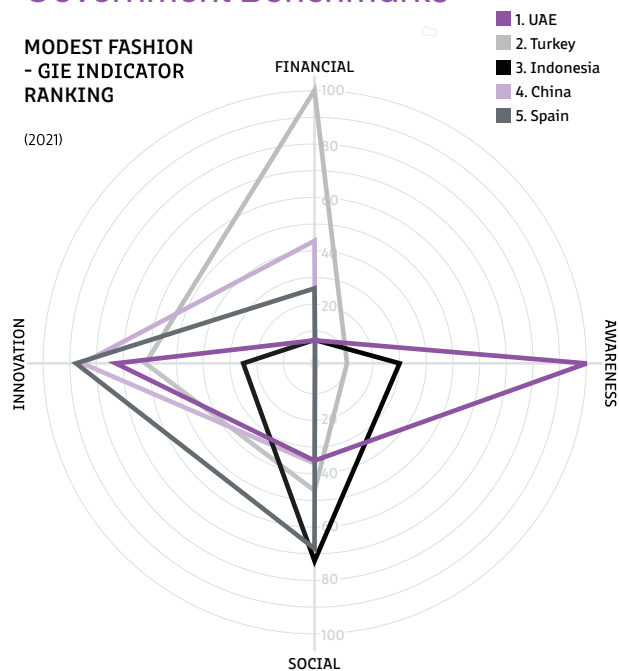




Government Benchmarks

MODEST FASHION - GIE INDICATOR RANKING

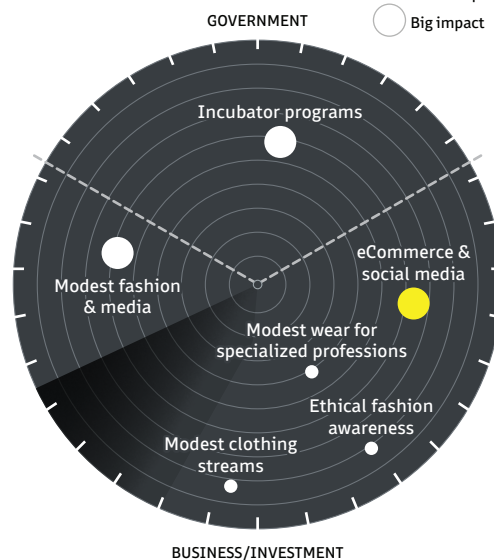
(2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact



2020/2021 Developments

Revenue/Investment Developments

LATEST PROJECTIONS

Muslim spend on apparel and footwear grew by 5.7% in 2021 to reach US\$295 billion from US\$279 billion in 2020. Iran, Turkey, and Pakistan ranked as the top three countries by spend. A CAGR of 6.1% is expected between 2021 and 2025, with the value of Muslim apparel and footwear spend forecasted to reach US\$375 billion by 2025.

Note: This does not represent the actual value of modest fashion consumption. It represents the core addressable Muslim consumer market spending in the apparel category.

INVESTMENTS' SUMMARY

As the fashion industry gets back on its feet after the pandemic, the total deal value in the Apparel and Modest fashion sector increased to US\$28 million from US\$3.4 million in 2019/20, with the total number of deals increasing to 7 from just 2 last year.

Country	Deal Type	Sub-Vertical	Organization Name	Deal Value (US\$000s)
Saudi Arabia	Venture Capital	Fashion	Nejree	15,000
Egypt	Merger/Acquisition	Apparel, Accessories and Luxury Goods (Primary)	Dice Sport & Casual Wear (CASE:DSCW)	4,760
Egypt	Merger/Acquisition	Apparel, Accessories and Luxury Goods (Primary)	Dice Sport & Casual Wear (CASE:DSCW)	3,180
Egypt	Venture Capital	eCommerce, Fashion, Internet	Brantu	2,100
Egypt	Merger/Acquisition	Apparel, Accessories and Luxury Goods (Primary)	Dice Sport & Casual Wear (CASE:DSCW)	1,750

Growth remains stable, with businesses recovering from the effects of the pandemic. Mainstream brands continue to release the occasional modest edit or line, usually coinciding with the high demand period of Ramadan

Young modest fashion brands are catching the eye of investors on and off the catwalk

- US-based Muslima Wear received funding from #ClearANGEL funding by Clearco VC.³¹⁷
- Modestly, a UK-based label created by University of Portsmouth graduate Hena Begum, was selected as one of six collections for Graduate Fashion Foundation's Digital Designer Profile at London Fashion Week.³¹⁸
- The SH-Label, which created the first-ever street style version of the abaya in 2018, was selected for the US-based VFILES Foundation's incubation program. The latest collection was shown at the VFILES LAB Show for the participants of the incubation program.³¹⁹

Established, dedicated modest fashion brands continue to expand their reach and attract investment:

- UAE brand Kashka opened its fourth store in Oman and ninth in the UAE.^{320 321}
- Entrepreneur Rahmath Unnisa opened a branch of IDH in Hyderabad, India.³²²
- Verona Collection has diversified into creating uniforms for Islamic schools under the subsidiary Verona Uniforms.³²³
- Malaysian-based Lilit, a house brand of FashionValet, opened its first brick-and-mortar location in Kuala Lumpur.³²⁴
- US-based Haute Hijab launched their UK site after receiving an investment from venture capital firm Lightship.³²⁵

Most newcomers entered the modest fashion industry as MSME's amid the uncertainty of the pandemic

- High fashion modest luxury brand Elle B Zhou was launched digitally using a specially created 3D virtual version of Saudi model Shahad Salman.³²⁶
- UK-based ELHM launched in early 2020 with a range of hijabs. In September, they launched a range of modest evening wear, including a bridal dress.³²⁷
- TikTok influencer couple Will and Sana Saleh of Toronto, Canada, started a tie-dye hijab company, Lala Hijabs. The hijabs are all hand-dyed with non-toxic and eco-friendly dyes.³²⁸
- French e-boutique Ordestie was launched in December 2020 to sell modest, ethical, and inclusive brands.³²⁹

Mainstream fashion and non-fashion brands collaborated with modest fashion brands and designers or launched edits with social media influencers

- UK retailer Primark released a modest range in September 2020.³³⁰
- Pretty Little Things, another UK retailer, also launched their first-ever modest collection. The retailer launched an Arabic version of their website for the GCC featuring curated modest ranges.³³¹
- UK-based Aab collection will stock a 40-piece range at John Lewis stores.³³²
- Farfetch launched a Ramadan edit featuring regional and international designers.³³³
- Malaysian brands Mimpikita and CalaQisyah have partnered with Disney for their modest wear collections. Lilit partnered with local dairy brand Farm Fresh milk for its Eid range.^{334 335}
- ASOS released a Ramadan edit in collaboration with social media influencers Lana Hattab, Aya Barqawi and Ranim Al-Rifai.³³⁶
- British legal-wear designer Ivy & Normanton launched a series of hijabs for Muslim barristers which conform to court-attire norms.³³⁷
- ShopBop released a Ramadan edit in collaboration with social media influencer Deema Al Asadi.³³⁸

- H&M on Zalora has become available to the Singapore and Malaysian markets and has launched a modest fashion capsule collection for the Ramadan and Eid season.³³⁹
- Kuwaiti influencer Dr. Kholoud collaborated with global e-tailer SHEIN on a Ramadan edit.³⁴⁰
- US designer brand Tommy Hilfiger launched its first hijab.³⁴¹
- US retailer Nordstrom partnered with hijab brand Henna & Hijab to launch a range of five hijab designs.³⁴²

Specialized modest sports attire continues to spur innovation

- Haute Hijab launched a sustainable sports hijab range consisting of four styles suitable for different sports.³⁴³ Saudi sprinter, Yasmeen Al Dabbagh, wore the Haute Hijab FlexiFit Sports hijab during the 100m sprint race at the Tokyo Olympics 2021.³⁴⁴
- Spark Perform is a German-Egyptian brand creating high-performance sportswear for modest dressers.³⁴⁵
- US brand Under Armour has released a sports hijab. It features sweat-wicking fabric, headphone access, and a reflective logo.³⁴⁶
- Born Primitive Middle East has curated an edit of their pieces showing how women can wear them modestly and stylishly.³⁴⁷

Local department stores in OIC countries have included modest fashion ranges in their offerings

- Pakistani retailer Sapphire launched a modest range that will be available on their website and in stores. The line includes abayas, hijabs, and kaftans in multiple variations.³⁴⁸
- Metro Department store in Indonesia held a modest fashion week with fashion shows via Instagram and many promotional offers on modest fashion items.³⁴⁹
- Pakistani retailer Khaadi collaborated with Esra Bilgic (lead actress in *Dirilis: Ertugrul*) for the Khaadi x Esra range.³⁵⁰

Operational Developments

The pandemic pushed businesses to improve supply chains, marketing, and operations to better suit the new normal

COVID-19 spurred significant growth in eCommerce while its impact on certain fashion sub-sectors has begun to subside. Companies are seeking new ways to digitize their sales and marketing efforts

- Turkey's Modanisa launched its Malaysian site with a virtual fashion show and online press conference. The site also received a 70% increase in sales from the UK during the 2021 Ramadan and Eid periods. The company also celebrated 10 years in operation by offering staff

stock options.³⁵¹

- Searches for dressier clothing such as dresses, high heels, and accessories have increased significantly between January and April 2021.³⁵²
- Bank Indonesia recorded a 49.52% growth in eCommerce transactions for halal products during the May-December 2020 period compared to 2019. 86.63% of transactions were for modest fashion purchases.³⁵³
- The Qatari abaya industry benefited greatly from eCom-

merce and social media-driven sales during the pandemic. Some brands, such as White Abaya and Eternity Abayas, increased online sales by 30%.³⁵⁴

- Major fashion eCommerce site Namshi, owned by Dubai's Emaar Malls, reported a 28% rise in sales in 2020, with revenue from Saudi Arabia up by 50%.³⁵⁵
- Saudi online apparel store Nejree secured US\$15 million in funding to introduce the Nejree Closet feature, which allows customers to try on products at home before purchasing them.³⁵⁶
- Saudi Arabian modest fashion brand Leem launched an app for their online shoppers. They plan to launch the app in the UAE and other GCC countries.³⁵⁷

Businesses looked to alternative marketing methods to capitalize on growing platforms like TikTok and an increase in eCommerce. Mainstream brands have collaborated with modest fashion social media influencers on several marketing campaigns

- Indonesian designer Hannie Hananto, founder of the brand Anemone, used TikTok to showcase her products during the pandemic.³⁵⁸
- Artificial intelligence influencers are becoming increasingly popular, especially with travel restrictions put in place due to the pandemic. Data suggests virtual personas outperform human influencers in most engagement categories across social media. In Indonesia, hijab-wearing virtual influencer Zeline runs a modest clothing store with fellow famous virtual influencer Thalasya.^{359 360}
- Kuwaiti-American cultural influencer and businesswoman Ascia Al-Faraj was selected as New Balance's first Middle Eastern female brand ambassador.³⁶¹
- Fashion influencer Nawal Sari has collaborated with Australian specialist sneaker brand Hype DC. She is part of the brand's SneakerTeller campaign.³⁶²
- Plus-size hijabi model and author Leah Vernon was selected as the face of plus-size brand Eloquii for their "Six Icons, Six Days" campaign. She also designed a piece that will be sold in the collection.³⁶³
- TikTok modest fashion influencer Maha Gondal was

selected by Coach for their Coach and Champion collaboration campaign.³⁶⁴

Artificial intelligence, augmented reality, and big data are finding more uses throughout the fashion industry supply chain

- LVMH, Richemont and the Prada Group launched the Aura Blockchain Consortium, which allows customers to trace the origins of luxury items, including the materials and processes used.³⁶⁵
- Online fashion retailer ASOS and its supplier Fashion-Enter Ltd are partnering with digital printing firm Kornit Digital to explore the future opportunities presented by on-demand manufacturing. Both ASOS and Fashion-Enter are implementing Kornit Presto, a single-step solution for direct-to-fabric printing. The technology will enable Fashion-Enter to rapidly deliver sampling and test-and-repeat small product runs exclusively on behalf of ASOS.³⁶⁶
- French start-up Euveka created a scalable robot mannequin that morphs into any size and shape. This can be used for size-inclusive photoshoots for e-retailers, facilitate remote sales and in-store, and allows for new shopping experiences without fittings in person.³⁶⁷



Physical stores have retained their allure

SHUTTERSTOCK

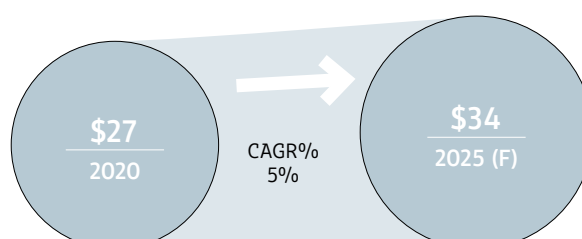
National and Trade Developments

OIC Countries have the potential to become global fashion export hubs

The 57 OIC member countries imported around US\$27 billion in fashion products in 2020, a significant drop of 21% since 2019. However, fashion is the only products category (compared to food, pharmaceuticals, and cosmetics) with a trade surplus of almost US\$56 billion. It is also the second-fastest-growing trade product in the 5-year forecasted period, with a CAGR of 5% and US\$34 billion in imports by 2025.

OIC FASHION IMPORT AND GROWTH (2020-2025)

US\$ BILLION



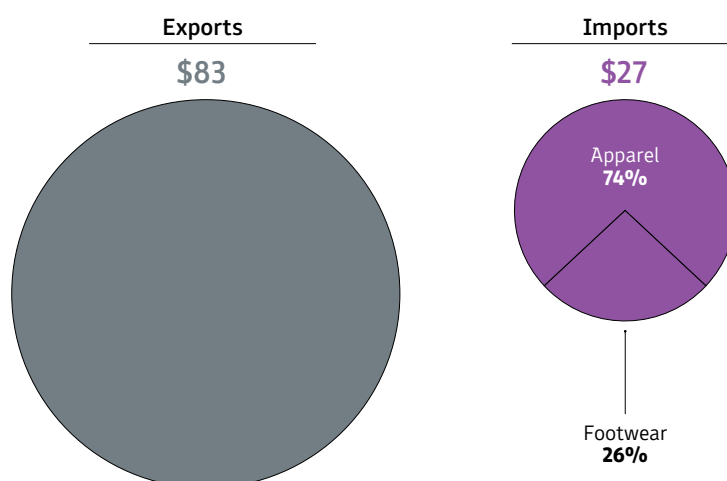
Source: DinarStandard synthesis and analysis

Trade Indicators – Strong fashion export potential by OIC member countries:

A strong indicator of fashion volume demand and key markets can be obtained by gauging trade flow. The OIC countries exported US\$83 billion of fashion products in 2020. With a trade surplus of US\$56 billion, the OIC countries demonstrate a leadership position in the global fashion trade market, covering 16% of global exports. The top 5 suppliers of fashion products to the OIC countries are China, India, Turkey, Italy, and Vietnam, making up almost 76% of the global supply to the OIC. About 74% of the fashion products imported by the OIC countries were apparel, and 26% were footwear.

OIC Trade in Fashion Breakdown

US\$ BILLION (2020 EST.)



Top Exporters to OIC of Fashion

US\$ BILLION (2020 EST.)

China	\$13.52
India	\$3.00
Turkey	\$2.17
Italy	\$1.23
Vietnam	\$1.10
Bangladesh	\$0.85
Spain	\$0.50
Hong Kong, China	\$0.41
Indonesia	\$0.39
France	\$0.37

■ OIC countries

Top OIC Importers of Fashion

US\$ BILLION (2020 EST.)

UAE	\$5.49
Saudi Arabia	\$3.65
Turkey	\$1.79
Iraq	\$1.78
Malaysia	\$1.54
Indonesia	\$1.24
Kazakhstan	\$0.97
Algeria	\$0.86
Qatar	\$0.85
Kuwait	\$0.71

Source: DinarStandard synthesis and analysis

OIC countries continue to invest in the modest fashion sector, while COVID-19 led to hybrid versions of trade shows

The Saudi Arabian fashion industry has seen significant government support and is a potential future hub for modest fashion

- Saudi women are opting for abayas in different colors, designs, and fabrics, allowing local designers to become more creative in their ranges.³⁶⁸
- The Ministry of Culture launched its fashion incubator program with a virtual hackathon. The program is part of the country's Fashion Commission.³⁶⁹
- Princess Safia Hussein Guerras and Lomar collaborated on the Khaleeki Chic collection of abayas and launched the range at the Belgian Embassy of Saudi Arabia. The collection aims to make the abaya more of an international garment.³⁷⁰
- A fashion show was held on the shores of the Red Sea, showcasing the 22-piece cruise collection of Samah

Abayas by Samah Khashoggi. All those involved in the show, from make-up artists to photographers, models, and directors, were Saudi Arabian.³⁷¹

- The Saudi 100 Brands program will select 100 local brands for participation in a 12-month program and help them gain access to retailers and other markets, attention from media and other business improvement opportunities.³⁷²

Public and private-led initiatives are helping entrepreneurs

- DARE (Darrusalam Enterprise) launched the first Bruneian Made mini showcase at the Airport Mall, featuring locally produced items, including fashion items, from 20 MSMEs.³⁷³
- Malaysian eCommerce retailer FashionValet has brought back its free-to-list online platform for local businesses, FV Bazaar, and this time including fashion vendors.³⁷⁴

- The LA Market exhibition was held in Cairo, Egypt, as a platform for modest local fashion and accessory designers to showcase their products. The exhibition aims to put Made in Egypt products under the spotlight and is to be held seasonally.³⁷⁵
- In partnership with the Malaysia Digital Economy Corporation and FashionValet, the Malaysian government launched the Micro and SMEs eCommerce Campaign to encourage and assist businesses to adopt an eCommerce culture to widen their market reach.³⁷⁶
- Indonesia's Ministry of Tourism and Creative Economy collaborated with industry expert Franka Soeria to incubate and facilitate access to funding for local modest fashion businesses through the Modest Fashion Founders Fund incubator program, which comprises venture capital firms, fintech, and Bank Syariah Indonesia.³⁷⁷
- Indonesian online marketplace Shopee and the Cooperatives and SME Ministry agreed on restricting foreign products in 13 categories of clothing, mostly modest fashion-related, to protect and give priority to local MSMEs.³⁷⁸

Bilateral collaboration aims to improve the fashion trade

- Indonesian modest wear designer Rosie Rahmadi presented her collection, Kalopsia, at Global Talents Digital, initiated by the Russian Fashion Council. She was one of five Indonesian designers featured.³⁷⁹
- Seven Indonesian modest fashion brands were showcased in Turkey at the Introducing Indonesia hybrid

fashion event to encourage collaboration between the two countries.³⁸⁰

- UK-based UCLan Preston fashion department signed an MoU with the Central Asian Tashkent Institute of Textile and Light Industry to help boost relationships between universities and the creative industry in both countries.³⁸¹

Trade shows and fashion week events became hybrid, online and in-person, due to COVID-19

- Halal summits featuring modest fashion exhibits such as the 6th World Halal Summit in Turkey, the Indonesia Sharia Economic Festival (ISEF), and the 17th Malaysian International Halal Showcase (MIHAS) were held as hybrid online and live events. Digital platforms were utilized for buyer interactions.^{382 383 384}
- The 17th annual Heya Arabian Fashion Exhibition was held in Doha, featuring 150 Qatari designers.³⁸⁵
- Fashion weeks resorted to fully digital or hybrid versions of their events. These included the Modest Fashion Runway event at Melbourne Fashion Week, the second Miami Modest Fashion Week, and the Modest Manila fashion show.^{386 387 388}
- The sixth Stara Fashion Week in Dar es Salaam, Tanzania, featured 40 local modest fashion designers.³⁸⁹
- Modest womenswear fashion label Fllumaé presented its 2021 collection at New York Fashion Week with a digital runway show.³⁹⁰
- A virtual Modest Fitness Week featured over 50 hours of sessions, including workouts and discussions. Many modest fitness apparel brands were also featured.³⁹¹

Ecosystem Developments

Modest fashion is gaining more exposure through the inclusion of influencers in mainstream fashion campaigns

Professions with uniforms and dress codes are allowing for hijabs to be added

- Police departments in the UK, New Zealand, and Newark, New Jersey, USA, are now allowing female police officers to wear the hijab as part of their uniform.³⁹²
- High school athletes in Tennessee, USA, no longer require a waiver for religious headgear in sports. The Ohio Senate is looking to pass a similar law in their state.^{393 394}
- Nurses in Singapore will most likely be able to wear a headscarf to work. Discussions are ongoing.³⁹⁵

More media platforms have included imagery of women wearing the hijab, but negative media depictions of Muslims persist

- A documentary that tells the story of how Rayouf Alhamedhi campaigned for the hijab emoji will be released.³⁹⁶
- The Cooper-Hewitt Smithsonian Design Museum acquired the hijab emoji to add to its digital collec-

tion. This is part of a larger effort for museums and cultural institutions to preserve significant parts of digital history and culture.³⁹⁷

- A "media snapshot" study analyzing race-related opinion pieces in mainstream Australian newspapers and TV programs found that more than half involved negative depictions of race. Anti-racism non-profit group All Together Now said Muslim Australians were one of the most targeted communities.³⁹⁸
- Halima Aden announced over social media that she would be leaving runway modeling as she believes that her work compromised her religious beliefs.³⁹⁹
- UK supermarket chain Tesco was praised for including an illustration of a hijab-clad woman on a children's top it sold.⁴⁰⁰
- Aisha Musse is the first Dutch woman to wear a headscarf on the cover of the Dutch version of the fashion magazine Harper's Bazaar.⁴⁰¹
- Taqwa bint Ali is the first hijabi model for French





COTTONBRO/PEXELS

designer house Jean Paul Gaultier.⁴⁰²

- Ten-year-old Mikhail Dar of Ontario, Canada, launched a t-shirt company, Hijabi Friends, featuring animated characters wearing the hijab and slogans promoting inclusivity.⁴⁰³

There are more platforms to educate people on modest fashion

- Journalist and author Hafsa Lodi launched her website modestish.com as a hub for all modest fashion-related news and updates. Modestish.com will also provide photoshoot and video campaign services for brands to make their collections “modest-friendly”.⁴⁰⁴
- A study carried out by the London College of Fashion at the University of the Arts London and Coventry University found that a better understanding of modest fashion can help policymakers and dialogue groups concerned with social cohesion and interfaith relations in the UK, and may also help UK cultural, political, and business interests abroad.⁴⁰⁵
- The University of Creighton, Omaha, Nebraska, USA, hosted a panel discussion and photo exhibit of modest fashion entitled “Making the Hijab Mainstream,” featuring modest fashion influencer Summer Albarcha.⁴⁰⁶
- Social media influencer and model Rawdah Mohamed was selected as the fashion editor for the recently launched Vogue Scandinavia.⁴⁰⁷

European countries continue to put rules in place restricting Muslim women's dress

- The French Senate voted to ban Muslim girls under the age of 18 from wearing a hijab. The vote also includes a ban on women accompanying a school trip from wearing a hijab and prohibits people from wearing burkinis in public pools. The bill is still to be confirmed by the National Assembly. The Upper Legislative house also voted to amend the bill to ban conspicuous religious symbols from those participating in sports, which would prevent Muslim women's participation. The French Football Federation is the only international body to exclude hijab-wearing women from football.^{408 409}
- Switzerland has banned the use of a niqab (veil) or burqa in public spaces.⁴¹⁰

Events centered around Muslim women have become great platforms for modest fashion brands

- The Miss Muslimah USA pageant took place in Michigan, USA. The pageant featured 15 female Muslim contestants with segments such as special occasion dress, modest swimwear ensemble, and abaya design, along with performing a talent or Qur'an recitation.⁴¹¹
- World Hijab Day was commemorated in Oyo State, Nigeria, with a special event and the donation of 250 hijabs to Muslim women in the area.⁴¹²

Social Impact Developments

Inclusivity and sustainability are key focuses of many fashion consumers

Modest fashion industry players have found ways to give back to the community, especially during the pandemic, and have shown support to the Palestinian cause

- FashionValet donated US\$24,000 to Imaret, the Islamic Medical Association of Malaysia's Response and Relief Team, to mark its 10th anniversary.⁴¹³
- US brand Vela Scarves launched a Palestine Capsule Collection to raise awareness for Palestine, with 100% of profits donated to Islamic Relief's direct aid program to Gaza.⁴¹⁴
- Malaysian brand dUCk launched “The Palestinian dUCk” collection of scarves, bags, and sweaters and donated 100% of profits to Palestine through the Viva Palestina Malaysia coalition.⁴¹⁵
- Didiet Maulana, the founder and creative director of fashion house IKAT Indonesia, presented workshops to over 5,000 SMEs to help them recover from the effects of the pandemic. He also created the website Jembatan Baru Didiet Maulana (Didiet Maulana's New Bridge) to connect businesses with investors and buyers.⁴¹⁶
- The Sawa pre-Ramadan exhibition event was launched in Dubai as a platform for local entrepreneurs who have been adversely affected by the pandemic to make sales at low cost and low risk.⁴¹⁷

Consumers are seeking brands that are more diverse and inclusive of different cultures and consumer abilities

- The Black in Fashion Council was born out of the Black Lives Matter (BLM) protests and launched in July 2020. The council's mission is to represent and secure the advancement of black individuals in the fashion and beauty industry.⁴¹⁸
- In the US, the 15% Pledge initiative was created to challenge businesses to dedicate 15% of their shelf space to black-owned businesses to better represent the country's black population. Vogue and Sephora were among the first to sign on.⁴¹⁹
- Nesma Yehia, Egypt's first model with dwarfism, launched a clothing brand specializing in clothing for women of short stature. The designs are suitable for both veiled and non-veiled women.⁴²⁰
- Faduma Farah, a UK-based designer and entrepreneur, launched the Faduma Fellowship competition to identify a designer who can create a capsule collection of clothes suitable for wheelchair users. The winning collection was shown at London Fashion Week in September 2021.⁴²¹



JAKAYLA TONEY/UNSPLASH

Professions with uniforms and dress codes are allowing for hijabs to be added

Sustainability is being taken more seriously by national bodies and institutions

- The Indonesian Fashion Chamber (IFC) has made sustainable fashion a key focus of its events. A three-day virtual fashion event was held to spotlight the circular economy and create awareness about sustainable fashion among Indonesian youth. MUFFEST also featured a sustainability-themed show. Indonesian viscose producer Asia Pacific Rayon (APR) teamed up with three designers to create modest fashion collections made from the material.⁴²²
- European luxury brands, banks, and investors are creating medium-term bonds, loans, and revolving credit facilities linked to specific sustainability targets to help the fashion industry catch up with the sustainability efforts of other sectors. These include LEED (Leadership in Energy and Environmental Design) Gold or Platinum Certification for store networks, procurement of raw materials, use of sustainable packaging, renewable energy, and efforts in recycling and upcycling. There are inbuilt penalties (such as higher interest rates) and rewards (lower rates) depending on whether brands hit their targets, while third parties such as Sustainalytics or Deloitte will assess progress.⁴²³

Consumers are becoming more concerned about sourcing as well as what causes retailers support

- UK retailer Marks & Spencer became one of the first large retailers to sign a petition by the Ethical Trading Initiative (ETI) to stop using cotton from the Xinjiang region in China over allegations of forced labor and

human rights violations against the Uighurs.⁴²⁴

- The US government blacklisted 87% of China's cotton, citing human rights violations against Uighurs in Xinjiang. US fashion brands are required to provide import documentation proving they have not sourced cotton or products from Xinjiang.⁴²⁵
- Spanish retailer Zara faced an international boycott following anti-Palestinian comments made by its head designer to Palestinian model Qaher Harhash on his social media accounts.⁴²⁶

New techniques in production and materials are helping clothing to become more sustainable

- Pakistan-based denim company Soorty invested in developing laundry systems that are environmentally friendly and socially conscious.⁴²⁷
- Many global brands are investing in R&D related to denim production and recycling, such as Ralph Lauren and H&M. These improved methods reduce water and electricity usage as well as decrease the use of chemicals and dyes.
- DS Automobiles released a capsule collection of clothes that turns CO₂ into oxygen. These garments were treated by Post Carbon Lab with a photosynthetic coating, consisting of a layer of living algae, which captures carbon dioxide and converts it into oxygen and glucose.⁴²⁸
- The Denim Deal, a pledge to reform and recycle jeans, was signed in Amsterdam by 30 Dutch and other international denim brands, including Kings of Indigo, MUD Jeans, Kuyichi, and Scotch & Soda.⁴²⁹

SIGNALS OF OPPORTUNITIES

The digital transformation of the modest clothing industry was accelerated by the pandemic

During the pandemic, many small businesses were able to launch as well as sustain themselves by leveraging different eCommerce platforms. As consumers become increasingly comfortable with online shopping, the demand for modest wear online will grow further.

Consumers are becoming increasingly aware of brands' inclusivity, ethics, and sustainability goals

Consumers view brands through a more conscious lens and note how inclusive and sustainable brands are while also paying attention to their supply chain and labor practices.

Successful incubator programs have garnered growing attention from investors to the modest fashion sector

With most modest fashion businesses in the MSME category, they need support to grow organically. Government-backed incubator programs like The Modest Fashion Founders Fund have highlighted potential businesses to investors.

The lack of a modest fashion media ecosystem is stunting the advancement of the sector

While awareness about modest clothing is growing, there are still misconceptions in mainstream media. Media campaigns to promote modest fashion can help fuel the demand for modest fashion stylists and models.

There is increased demand for utility modest wear for specialized professions and fitness

As more industries and professions make allowances for women to wear the hijab as part of their regulation workwear, the demand for special hijabs and modified modest uniforms will increase.

Strategic Considerations by Stakeholder

Overview

With lockdowns easing up in many countries, specifically over Ramadan and Eid-al-Fitr 2021, the modest fashion sector is making a recovery. Many businesses have gone digital and launched omnichannel shopping for their customers. Companies are seeing the benefits of making their businesses more accessible. Most newly launched brands

have been in the MSME category of businesses. The large players in the industry continue to dominate and expand through further investment and geographical expansion. Mainstream brands continue to show interest in the sector through launching modest edits and having a dedicated “Modest” section on their websites.

Investors

Modest fashion remains an area of low investment, with most businesses remaining in the MSME category. However, with the boom in eCommerce and increased reach of these businesses, investors could start to see larger returns.

OPPORTUNITIES

1

With the growth in eCommerce, the demand for specialized online marketplaces for modest clothing is increasing.

Clothing was one of the top eCommerce categories in most regions during the pandemic. Turkey saw a 66% year-on-year increase in eCommerce volume in 2020.⁴³⁰ Malaysia's eCommerce market is expected to register a 24.7% growth over the same period.⁴³¹

Relevant Developments & Precedents

- Modest e-Tailers Haute Hijab and Modanisa have both expanded their businesses to have bases in other countries.
- e-Tailer ASOS expanded their business to include fulfillment centers in the UK, US and Europe. They sell over 850 brands and acquired TopShop brand this year.⁴³²

Potential Outcomes by 2030

- Major textile producing OIC countries Bangladesh, Pakistan, Turkey, and Indonesia will produce multiple globally recognized modest fashion brands and digital marketplaces.

2

There is an increased demand for utility modest wear for specialized professions requiring firsthand knowledge of modest clothing.

Modest fitness wear remains a popular area for growth.

As more professions incorporate the hijab into their uniform and more hijabi and modest-dressing women enter into professions that require Personal Protective Equipment, the demand for such niche products will increase. Modest fashion businesses understand the requirements of this customer best and would therefore be able to cater to their needs.

Relevant Developments & Precedents

- Police forces in several countries have now allowed police-women to wear a hijab.
- Henna & Hijabs created the Healthcare Hijab in 2018 in response to women in the healthcare community who struggled to find scarves made of materials suited to their work environment.⁴³³

Potential Outcomes by 2030

- Businesses have created specialist products in line with safety requirements that are also practical for their purpose.



“Modest clothing is a business worth investing in. We need people who can evaluate the potential and understand the dynamics of fashion to properly present the brand to banks and VCs and also introduce them to the industry.”

Franka Soeria, Co-founder #Markamarie & Council of Modest Fashion



MODANISA

Modest fitness wear remains a popular area for growth

CHALLENGES

1

A unicorn has yet to emerge in modest fashion, with most businesses being small to medium-sized, with many not open to venture capitalist funding for growth.

Although modest fashion has garnered interest from investors, there have not yet been significant exits in the sector. Not all businesses in the sector are open to funding and would prefer organic growth through the use of Islamic Finance products. Such limited funding options do not allow companies to significantly improve operations or do significant R&D.

Risk

- Modest fashion businesses are unable to scale and offer products across the price brackets to directly compete with mainstream retailers.

Governments

Government efforts supporting businesses through the pandemic and encouraging the use of a local supply chain can lead to an overall stronger economy

OPPORTUNITIES

1

Governments should build up fashion supply chains within the country and support businesses across this supply chain.

The pandemic resulted in many supply chains being disrupted. Businesses have realized that sourcing products locally is the most reliable way to prevent any disruptions in the future, but this requires government incentives to promote the growth of the local economy.

Relevant Developments & Precedents

- The Indonesian Fashion Chamber partnered with viscose rayon producer Asia Pacific Rayon during the MUFFEST for a fashion show showcasing the use of the fabric in different clothing designs.
- The retail clothing, textile, footwear, and leather (R-CTFL) Master Plan was signed in South Africa in November 2019 to encourage fashion retailers to buy locally.⁴³⁴

Potential Outcomes by 2030

- Supply chains have become as localized as possible, bolstering economies and enhancing sustainability.

2

Countries can work together to showcase products and encourage bilateral relations within the fashion industry.

With modest fashion being quite region-specific, countries with similar modest fashion outlooks can work together to foster trade. This could include building relationships across the entire supply chain.

Relevant Developments & Precedents

- The Introducing Indonesia showcase in Istanbul presented Indonesian designers and their work to counterparts and buyers in Turkey in a bid to establish relations in modest fashion between the two countries.
- The British Council's International Fashion Showcase was established in 2012 as a platform for emerging fashion designers to exhibit their work during London Fashion Week. IFS also offers a tailored program for 15 emerging international designers from 15 different countries, including a business development program across 8 months and a creative residency within Somerset House Studios in London.⁴³⁵

Potential Outcomes by 2030

- Countries with similar modest fashion requirements have cemented strong trade in products, designs, and materials.

CHALLENGES

1

The definition of modest fashion varies from region to region. There are no minimum standards available for what defines modest fashion.

Countries have different preferences and definitions of what constitutes modest fashion, which may limit the possibilities for exporting these products.

Risk

- Exports of modest fashion is limited to pieces that have appeal across more markets.



“We are witnessing a revolution from young Muslim women who are wearing modest fashion, whether or not it conforms to cultural or traditional standards. There is a big uptake of modest wear in the West but also a change in what modest fashion means.”

Hafsa Lodi, Founder of modestish.com, author of Modesty: A Fashion Paradox

Businesses

Product innovations and applying AI in business operations will drive growth

OPPORTUNITIES

1

Supply-chain innovations such as on-demand production and various applications of Artificial Intelligence should be considered to make production more efficient and cause less waste. Many applications of AI in fashion are being identified throughout the supply chain. This is allowing for more accurate purchasing decisions by businesses, leading to decreased excess inventory and waste. AI can assist businesses to understand their customer better and directly address their needs.

Relevant Developments & Precedents

- Indonesian modest fashion brand Ria Miranda utilized the fashion retail data platform Omnilytics, including the design process itself.⁴³⁶
- Online fashion retailer ASOS and its supplier Fashion-Enter Ltd are partnering with digital printing firm Kornit Digital to explore the future opportunities presented by on-demand manufacturing.

Potential Outcomes by 2030

- Businesses will have less excess inventory and will be able to produce more sustainably.

2

Consumers are taking a greater interest in where their clothing comes from and are requiring more accountability from manufacturers. Investors should look to invest in businesses that are actively implementing sustainable and ethical practices. Investors can also encourage sustainable practices by including sustainability goals in the conditions of financing a business. Investors will have a first-mover advantage since sustainable materials are not common in the modest fashion industry yet.

Relevant Developments & Precedents

- Muffest in Indonesia dedicated a fashion show to sustainable fashion.
- Haute Hijab has made use of deadstock fabric and introduced many new environmentally-friendly fabrics in their hijab range.⁴³⁷

Potential Outcomes by 2030

- Sustainable practices are the norm, and costs for such practices are a price consumers are willing to pay.

CHALLENGES

1

Incorporating sustainable practices is perceived as expensive and resulting in more expensive products. Businesses generally understand that incorporating sustainable practices in their business will lead to higher production costs, which in turn may make their products more expensive. Businesses cannot perceive the long-term impact of changing their practices.

Risk

- Businesses are discouraged from exploring more sustainable practices.

“Educating the public about sustainability is important. They need to learn about a sustainable lifestyle as a whole, not only fashion. When they understand the whole concept of sustainability, then buying sustainable fashion will come naturally as part of that.”

Ali Charisma, Chairman, Indonesian Fashion Chamber



Gen Z & Millennial Perspective

on

Modest Fashion

■ Millennial ■ Gen Z

My Views

DO YOU THINK THERE SHOULD BE GUIDELINES ABOUT WHAT IS CONSIDERED MODEST FASHION? OR ISLAMICALLY ACCEPTED MODEST FASHION? SOMETHING LIKE THE HALAL LOGO ON THE HALAL FOOD?

"I believe there shouldn't be any guidelines because everyone has their own journey to start dressing modestly or wearing Islamic clothes. It's not our right to question an individual's choice of dressing modestly or Islamically."

Amira Rahmat
Singapore, Millennial

"Yeah, I resonate with that. And I think it's more about not telling people what to do but inspiring through stories. This is a lot more effective than just issuing guidelines on what to do."

Mohammed Mishal
UAE, GenZ

"It's not just Muslims that are modest. There are Muslims that buy from other brands that are modest, but not necessarily Muslim lead, or non-Muslims that buy from Muslim brands because of the modest wear. Also, everyone has a different understanding of what modest fashion is, so to slap a halal sticker on clothes would be a very complicated thing to do."

Riley Logan
USA, GenZ

"Everyone has a different understanding of what modest fashion is, so to slap a halal sticker on clothes would be a very complicated thing to do."



@ROLOGIRL

Shopping Habits

HOW DO YOU PREFER BUYING YOUR CLOTHES AND ACCESSORIES ONLINE OR AT THE STORE? HAS COVID-19 CHANGED THAT?

"I don't buy many clothes, and if I do, I like to try them on before purchasing. But I have noticed women purchase more clothes online than men by far."

Muhammad Abdul-Aleem
USA, Millennial

"I prefer buying online because I don't have many modest fashion options where I live. I like to be creative with my clothes, and so I have to choose either being modest or creative, and I don't like to choose. Although online shopping goes with the risk of buying something that doesn't fit, because I'm skinny, I buy twice my size to ensure they are oversized and modest on me."

Hebah Nigm
Austria, Millennial

THE FASHION INDUSTRY HAS ONE OF THE LARGEST IMPACTS ON THE ENVIRONMENT. WHEN YOU SHOP, DO YOU PAY ATTENTION TO SUSTAINABILITY FACTORS?

"I try my best to purchase organic materials that support the NGOs. Most of the time, I would buy from the malls. I also love to visit thrift shops because it offers a whole different experience."

Amira Rahmat
Singapore, Millennial

"It hasn't been a focus in the past, but with the current events of climate change, it is becoming important for me. I think the industry hasn't caught up yet. Maybe there aren't many options right now as there might be in the future. But I would prefer to go with sustainable clothing."

Mohammed Mishal
UAE, GenZ



@HEBAHSROLLERCOASTER

"I like to be creative with my clothes and so I have to choose either being modest or creative."

NAME YOUR ONE IMPORTANT DECISION FACTOR WHEN PURCHASING CLOTHES AND ACCESSORIES.

"That which suits my fashion style because I have a certain way of dressing."

Amira Rahmat
Singapore, Millennial

"Quality. I don't care about the brand. But I do read reviews because I hate returning things. So I have to make sure that at least the quality is good."

Muhammad Abdul-Aleem
USA, Millennial

"Reviews are the first thing I look at if I'm interested in buying online. If it doesn't have reviews, I don't buy it. I don't want to risk returning it or just realize there are no return policies."

Riley Logan
USA, GenZ

"Younger Mishal would go for discounts. But now I realize quality gets affected, and that's more important."

Mohammed Mishal
UAE, GenZ



@MIKK_007

"Younger Mishal would go for discounts. But now I realize quality gets affected, and that's more important."

HALAL PHARMA- CEUTI- CALS





The COVID-19 pandemic has underlined the shortcomings and inequalities present in healthcare provision. This has been particularly stark in the poorer OIC countries, which have been impacted not only by the pandemic but also by delays in the roll-out of national inoculation campaigns for other endemic diseases. Wealthier OIC countries have tried to fill the vacuum by donating millions of doses of COVID-19 vaccines and providing additional support.

T

he pandemic has, however, provided a potential silver lining for low-income countries. Through bilateral agreements, more vaccines are being produced in OIC countries than ever before, such as in Turkey, the UAE, Egypt, Pakistan, and Saudi Arabia. A further upside is that the local

manufacturing of COVID-19 vaccines will bolster the development of other vaccines, potentially halal-certified, for export. In Morocco and Senegal, two vaccine production initiatives are particularly promising for the African continent, which has had to import 99% of vaccines.

While healthcare news has naturally focused on the pandemic, dynamics have shifted over the past year. Initially, there was a major growth spurt for nutraceuticals and other preventative medicines, witnessed in the number of products getting halal-certified, but that has tapered off. However, demand has remained strong as people continue to want to be as healthy as possible. This trend is set to continue, evident in Malaysia's Duopharma re-branding and strongly marketing its halal-certified nutraceuticals.

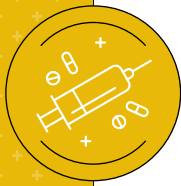
The pandemic has also spurred innovation in the halal segment, with a halal-certified COVID-19 detection kit developed in the UK and a face mask halal-certified in Singapore.

Universally accepted halal standards are not yet in place, which has hindered the potential for halal-certified vaccines, although pharmaceutical companies are seeking to produce a halal COVID-19 vaccine as soon as possible. Malaysia has continued to drive forward halal pharmaceutical standards, including, most recently, on medical devices. The OIC is also working on halal pharmaceutical standards, while there are growing calls for both the private and public sectors to spread awareness about halal healthcare in Muslim-majority markets.

The pandemic has also driven investment in healthcare, with notable investments in digital health in the Middle East and North Africa. Countries are also supporting start-ups and amending regulations to bolster digital health, which has become a core focus of national healthcare strategies. This has led to increased attention from private equity and venture capital investors in the digital health segment.

With the pandemic pushing investment in healthcare and the public increasingly health-conscious, the halal pharmaceutical sector and wider ecosystem are poised for significant growth.

Muslim spend on pharmaceuticals was US\$100 billion in 2021 and is forecast to reach US\$129 billion by 2025.



Halal Pharmaceuticals

Represented by **\$100 billion** of spending by 1.9 billion Muslims on pharmaceuticals (2021 est.)

ALL FIGURES
IN US DOLLARS

\$39 billion

of pharmaceutical imports
by OIC* countries
(2020)



Top 5 pharmaceuticals Muslim consumer
markets (2021)



Top 5 exporting countries to OIC (2020)

The thickness of the lines is proportional to the value of the
country's exports

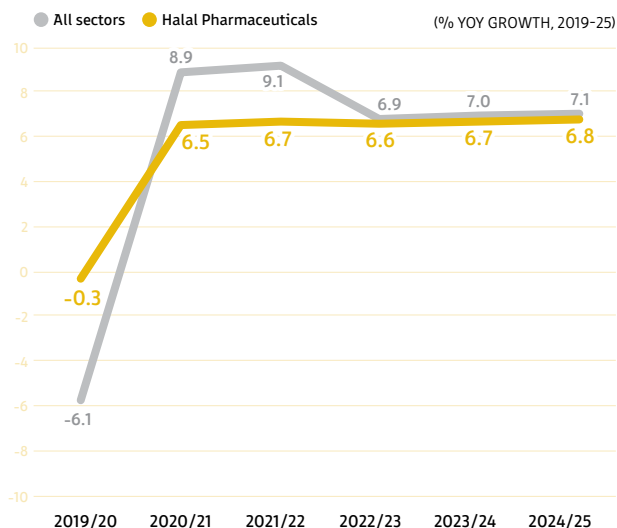
*All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Pharmaceutical imports by OIC are based on ITC Trademap 2020 data. Projections are baselined on data from IMF Outlook from April 2021. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology.
OIC: Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.



COVID-19 Impact Projections

Projected 4-year CAGR of 6.7% (2021/25) reaching \$129 billion by 2025

Projected Global Muslim spend on Pharmaceuticals versus
all halal products & lifestyle sectors



Investments

Consumer's health consciousness driving demand in halal pharmaceuticals. Tech startups actively participating in the sector.

\$2 billion

in halal-related pharmaceutical
investments 2020/21*

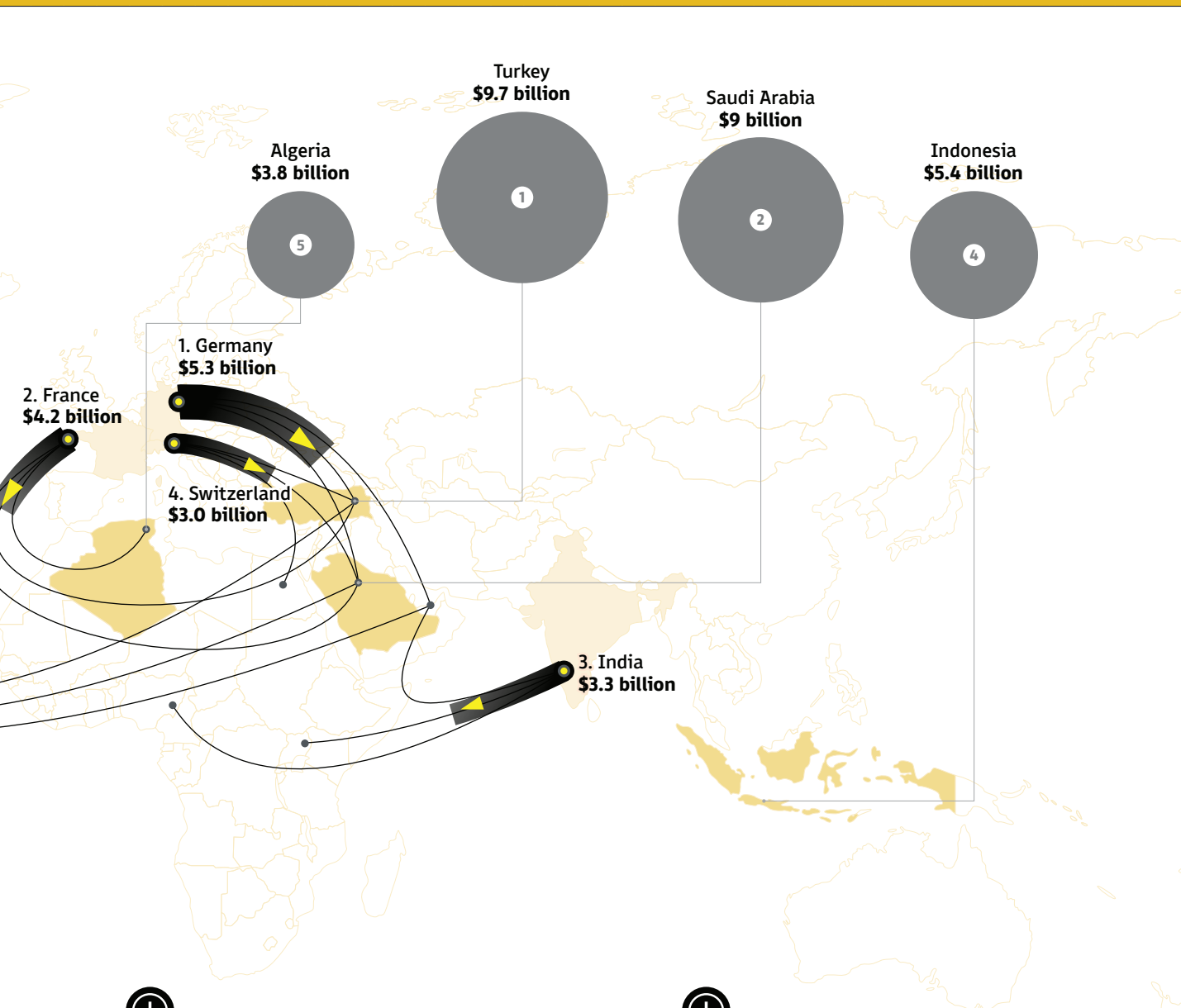
UAE's ADQ acquired Egypt's Amoun
Pharmaceuticals \$740 million

Malaysia's MiCare which received \$30 million
in funding from the International Finance
Corporation (IFC)

DEALS

Top countries with # of related deals in 2020/21

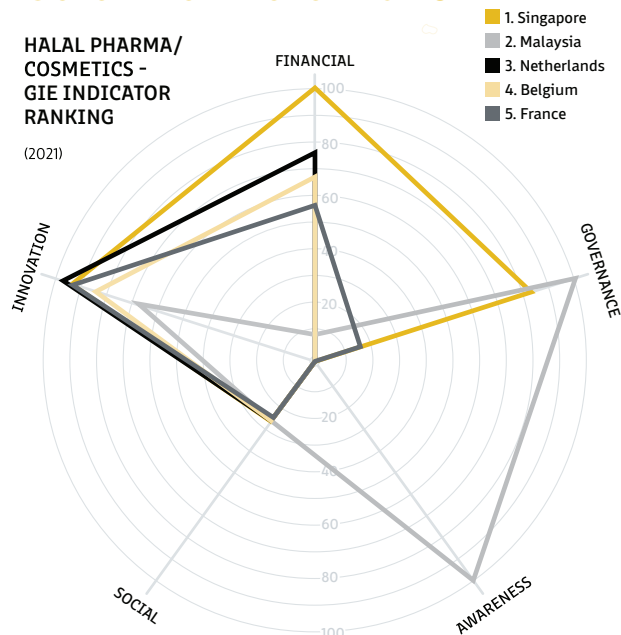




Government Benchmarks

HALAL PHARMA/ COSMETICS - GIE INDICATOR RANKING

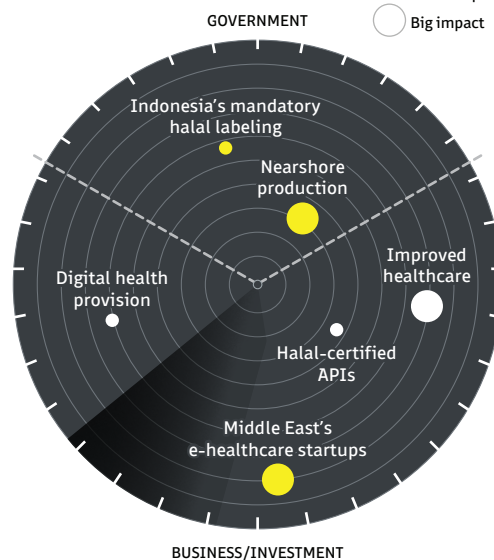
(2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact



2020/2021 Developments

Revenue/Investment Developments

LATEST PROJECTIONS

Muslim spend on pharmaceuticals increased by 6.5% from US\$93.6 billion in 2020 to US\$100 billion in 2021, with Turkey, Saudi Arabia, and the US ranked as the top three countries, retaining their positions from last year. A CAGR of 6.7% is expected between 2021 and 2025, with Muslim spend expected to reach US\$129 billion by 2025.

Note: This does not represent the actual value of 'halal-certified' pharmaceutical consumption. Rather, it represents the core addressable Muslim consumer market spending in the general pharmaceutical category.

INVESTMENTS' SUMMARY

Investments in the halal pharmaceutical sector made up 8% of all investments in the halal economy, compared to just 1% in 2019/20. This also significantly increased the total deal value from US\$156 million to US\$2 billion.

Country	Deal Type	Sub-Vertical	Organization Name	Deal Value (US\$000s)
Egypt	Merger/ Acquisition	Biotechnology, Food, and Beverage, Health Care, Pharmaceutical	Amoun Pharmaceutical	740,000
Switzerland	Acquisition	Pharma	OM Pharma	530,000
Egypt	Joint bid	Pharma	Bausch	470,000
UAE	Merger/ Acquisition	Health Care, Medical Rehabilitation	Cambridge Medical and Rehabilitation Center	232,000
USA	Private Placement	Pharmaceuticals, Biotechnology and Life Sciences (Primary)	AZTherapies, Inc.	33,600

The pandemic has driven growth in research and investment in the healthcare sector

COVID-19 has accelerated research in OIC countries and for halal-certified products

- The UK's Halal Regulatory Commission certified a COVID-19 antigen detection kit developed by NewGene Bioengineering.⁴³⁸
- UAE-based scientists have developed a COVID-19 antibody test for animals, using more than 500 blood samples of different species stored at Dubai's Central Veterinary Research Laboratory.⁴³⁹
- China's Fujian Haitai Intelligent Technology Co Ltd had its 'Al Noora' disposable face mask halal-certified by United World Halal Development (UNWHD) Singapore, deemed ethical, human, and environmentally friendly.⁴⁴⁰
- Lebanese-founded digital dental start-up Basma.com

raised US\$3 million in Series A funding led by Middle East Venture Partners (MEVP). The platform links patients with dentists across the MENA region and is to increase its network in the GCC.⁴⁴¹

Growing investment activity in OIC pharmaceuticals and healthcare

- Saudi Arabia's Public Investment Fund (PIF) and Abu Dhabi's ADQ invested US\$700 million in Egyptian drug maker Bausch.⁴⁴²
- The Arab Health and Medlab Middle East healthcare and laboratory exhibitions generated US\$207 million in new business deals.⁴⁴³
- French multinationals Orange Telecom and AXA insur-

ance acquired a majority stake for an undisclosed amount in Moroccan health-tech company DabaDoc.⁴⁴⁴

- Turkish pharma giant Abdi Ibrahim acquired a 28.5% stake for US\$530 million in Swiss biotech OM Pharma to increase access to the MENA market, OIC countries, and the Americas. Some drugs are to be produced in Turkey.⁴⁴⁵

Digital health is taking off in the Middle East and Pakistan

- UAE-based Mulk Health launched a global e-hospital app, offering medical services from 2,000 doctors around the world.⁴⁴⁶
- Saudi German Health, a private healthcare provider in the

MENA, announced it is using Nutanix Hyperconnected Infrastructure and Nutanix Prism Pro management solutions for digital health solutions.⁴⁴⁷

- Pakistan's Sehat Kahani raised US\$1 million in pre-series A funding to expand its telemedicine work.⁴⁴⁸
- UK-based Bioniq launched a health system in the UAE that uses tech and AI to assess a person's health, with tailored supplements provided.⁴⁴⁹
- Careem, the Middle East's multi-service app, released an in-app PCR booking function in the UAE that arranges for a nurse to come to a location to administer the test.⁴⁵⁰

Operational Developments

The pandemic has continued to drive investment

Malaysia's pharmaceutical sector has had a mixed impact from the pandemic

- Malaysian halal pharma exports dropped by 24% in 2020 due to COVID-19. However, there was a 1.25% increase in investment in halal pharmaceutical production parks.⁴⁵¹
- Malaysia's Duopharma expanded its halal nutraceuticals offerings, which have had strong sales during the pandemic. The company rebranded its Vitamin C tablets brand Flavettes, emphasizing attributes for the skin.⁴⁵²

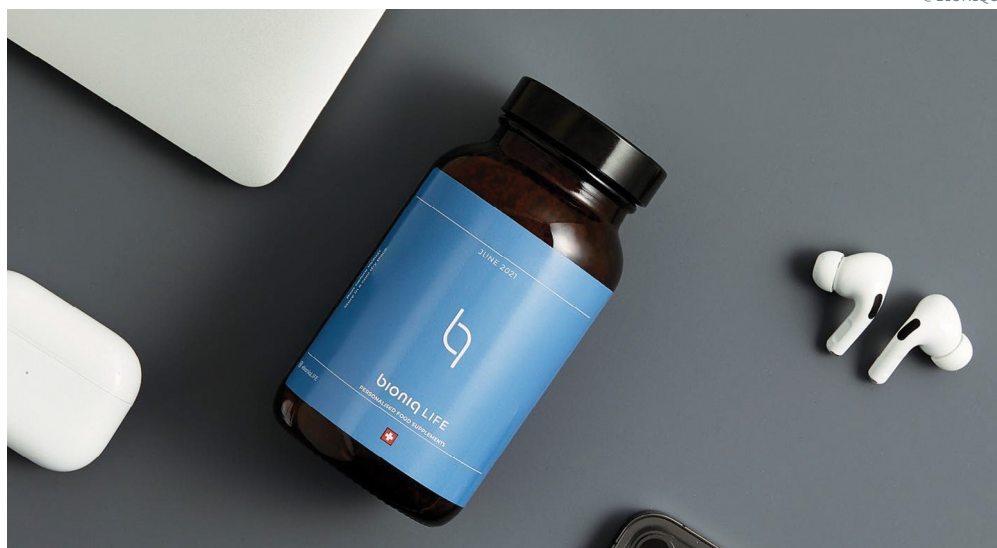
South Korean pharmaceutical companies continue to seek halal certification

- South Korea's Sungwoon Pharmacopia, through a joint venture with Indonesia's PT Kimia Farma Tbk, is seeking halal certification for nine active pharmaceutical ingredients (APIs).⁴⁵³
- South Korea's Daewoong Pharmaceutical's erythropoietin drug Epodion was halal-certified in 2020. Sales were

over US\$6.9 million, up 21% in 2019. The firm also had its 'Easyef external solution,' a treatment for diabetic foot ulcers, halal-certified.⁴⁵⁴

Pharmaceutical companies are releasing new products and vaccines

- Malaysia's Pharmaniaga is to manufacture pneumococcal vaccine under license from the Serum Institute of India.⁴⁵⁵
- Malaysia's Duopharma subsidiary Duopharma HAPI Sdn Bhd launched its second oncology drug to treat chronic myeloid leukemia at its Shah Alam plant.⁴⁵⁶
- Demand for advanced empty capsules is rising in line with burgeoning demand, including halal-certified pharmaceuticals. The overall market is set to grow by 8% CAGR by 2031.⁴⁵⁷
- US-based Tauriga Sciences, Inc. started sales of its halal-certified, vitamin-infused Tauri-Gum product line in the UK and is to develop a gum for nausea regulation.⁴⁵⁸



@BIONIQC

UK-based Bioniq uses tech and AI to assess a person's health

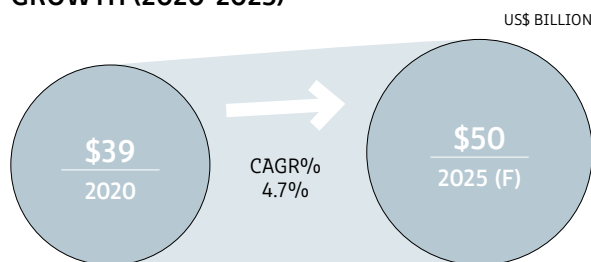


SHVETS PRODUCTION/PEXELS

National and Trade Developments

The 57 OIC member countries imported around US\$39 billion of pharmaceutical products in 2020. With the health emergency due to the COVID-19 pandemic, OIC saw a 0.5% increase since 2019. In 5 years, trade is forecasted to grow at a CAGR of 4.7% to US\$50 billion in OIC imports. The top 5 importers from the Middle East and Africa make up 47% of the total imports to OIC.

OIC PHARMACEUTICALS IMPORT AND GROWTH (2020-2025)



Source: DinarStandard synthesis and analysis

Trade Indicators – Major trade gap in pharmaceutical imports by OIC member countries:

The OIC countries exported US\$5.3 billion in pharmaceutical products in 2020 (0.8% of global exports), resulting in a massive trade deficit of US\$34 billion. The top 5 suppliers of pharmaceuticals to the OIC countries are non-OIC markets (Germany, France, India, Switzerland, and the US), making up almost 47% of the global supply to OIC.

Top Exporters to OIC of Pharmaceuticals

US\$ BILLION (2020 EST.)

Germany	\$5.30
France	\$4.15
India	\$3.31
Switzerland	\$3.02
USA	\$2.82
Netherlands	\$2.05
Belgium	\$1.84
China	\$1.58
Denmark	\$1.57
Italy	\$1.47

Top OIC Importers of Pharmaceuticals

US\$ BILLION (2020 EST.)

Saudi Arabia	\$5.61
Turkey	\$4.96
Nigeria	\$2.84
UAE	\$2.72
Egypt	\$2.26
Malaysia	\$1.74
Algeria	\$1.60
Kazakhstan	\$1.56
Iraq	\$1.20
Lebanon	\$1.18

Source: DinarStandard synthesis and analysis

OIC countries are entering agreements to produce COVID-19 treatments

- The UAE is producing the Hayat-Vax COVID-19 vaccine through a joint venture between Abu Dhabi technology company Group 42 (G42) and China's Sinopharm.⁴⁵⁹
- Algeria signed agreements to manufacture China's Sinovac and Russia's Sputnik V COVID-19 vaccines.⁴⁶⁰
- South Korea's Daewoong Pharmaceutical Indonesian subsidiary Daewoong Infion signed an MoU with the National Institute of Health and Technology Development (NIHRD) to develop COVID-19 treatment.⁴⁶¹
- Indonesian state-run pharmaceutical company Bio Farma is producing a COVID-19 vaccine under license from China's Sinovac.⁴⁶²
- Turkish pharmaceutical firm Viscoran İlaç is producing Russia's Sputnik V COVID-19 vaccine.⁴⁶³

OIC countries sign agreements to produce vaccines for Africa, which is 99% dependent on imports

- Moroccan entities signed agreements with Chinese and Swedish companies to manufacture COVID-19 vaccines and other vaccines as the country seeks to become a major vaccine producer for the African continent.⁴⁶⁴
- Senegal inked agreements with the Team Europe Initiative on Manufacturing and Access to Vaccines,

Medicines and Health Technologies in Africa, the USA, and the World Bank to manufacture vaccines for COVID-19 and other endemic diseases, to be hosted at the Institut Pasteur de Dakar.⁴⁶⁵

- Egypt's Holding Company for Biological Products and Vaccines (Vacsera) entered into a joint venture with China's Sinopharm to produce the Sinovac COVID-19 vaccine. It will produce 80 million doses for the Egyptian market in 2021 and export 400 million doses to neighboring countries.⁴⁶⁶



Germany is the top supplier of pharmaceuticals to the OIC countries

Ecosystem Developments

There have been few developments in issuing new regulations for halal pharmaceuticals and medical devices

New regulations for halal medical devices

- The UAE introduced a new law requiring companies selling pharmaceuticals to submit Global Trade Item Numbers on the Tatmeen digital platform to improve drug traceability. The law comes into force on 1 January 2022.⁴⁶⁷
- Indonesia's National Agency for Drug and Food Control

issued updated guidelines for the advertising of pharmaceutical products.⁴⁶⁸

- Indonesia issued law GR 39/2021, requiring mandatory halal certification for medical devices containing Animal Derived Materials (ADMs) between 2026 and 2034, depending on the risk and device class.⁴⁶⁹

Social Impact Developments

OIC countries and organizations have generously given to healthcare-related causes during the pandemic

- The Iranian Red Crescent Society (IRCS) has imported more than 9 million doses of COVID-19 vaccines for the country.⁴⁷⁰
- China's Red Cross donated 150,000 COVID-19 vaccines to Syria.⁴⁷¹
- Malaysian charities are fundraising to provide food and medical supplies to the needy and medical frontliners.⁴⁷²
- The UAE donated 500,000 COVID-19 vaccine doses to

Indonesia, 300,000 doses to the Union of Comoros, and 60,000 jabs to the Socotra governorate in Yemen.^{473 474}

- Two million COVID-19 vaccines were donated to Tunisia from the UAE, Turkey, Egypt, Algeria, Kuwait, and Qatar. Saudi Arabia donated 1 million vaccines and 190 respirators.⁴⁷⁵
- Qatar donated 21,250 COVID-19 vaccines to Lebanon.⁴⁷⁶
- The Indonesian Food and Drug Supervisory Agency (BPOM) is seeking greater collaboration among OIC countries to develop COVID-19 vaccines.⁴⁷⁷

Vaccination drive in Syria

HASAN MRAD/SHUTTERSTOCK



SIGNALS OF OPPORTUNITIES

The COVID-19 pandemic has underlined the importance of local drug and vaccine provision

The pandemic has highlighted the need for nearshore production of pharmaceuticals and vaccines. The move by several OIC countries to manufacture COVID-19 vaccines can act as a springboard to produce vaccines for other endemic diseases, thereby lowering import dependency.

Specialized digital health provision

With digital health care a growing trend, there are significant opportunities in specialized and niche e-health provision, from ICT capabilities to technology to the monitoring of patients.

There is a need for more halal active pharmaceutical ingredients

Halal-certified active pharmaceutical ingredients (APIs) are still relatively limited in the market versus the potential size, requiring investment in the immediate term for longer-term pay-off as halal pharmaceuticals become more popular.

Indonesia's mandatory halal labeling law driving certification

With Indonesia requiring pharmaceuticals to be halal within the next few years, foreign pharmaceutical companies seek halal certification for drugs.

Digital health and e-healthcare startups are emerging

Digital health is growing fast globally, with particularly strong growth in the Middle East. At the same time, other OIC countries have included e-health as core strategies in national healthcare policies.

Strategic Considerations by Stakeholder

Overview

With healthcare at the forefront of public and private concerns, the sector warrants significant attention from governments and investors alike. The halal pharmaceutical sector can utilize such attention to spring-board development, from investing in digital healthcare and associated services to producing halal-certified Active Pharmaceutical Ingredients (APIs) and vaccines.

The pandemic has raised awareness about the lack of such facilities in OIC countries—accounting for just 0.8% of global pharmaceutical exports—but international coop-

eration and support have led to new manufacturing hubs. Such hubs have significant potential to widen their scope of production and provision.

Joint ventures offer similar potential for halal pharmaceutical companies in Muslim-majority countries looking to enter new markets in anticipation of growing demand for halal-certified medicines as awareness among Muslim consumers rises. Nutraceuticals and vitamins remain a further area of growth as preventative healthcare continues to be a top concern.

Investors

Opportunities abound to produce halal-certified active pharmaceutical ingredients (APIs), while digital healthcare presents new revenue streams

OPPORTUNITIES

1

Develop halal-certified APIs and vaccines.

The pandemic has highlighted weaknesses in supply chains and over-reliance on imports for Active Pharmaceutical Ingredients (APIs), the central ingredient in drugs. With OIC countries wanting to address such shortcomings, there are significant opportunities to invest in the production of halal-certified APIs for biosimilar drugs. Heightened localization of pharmaceutical production can also be extended to producing halal-certified vaccines for endemic diseases.

Relevant Developments & Precedents

- Senegal inked agreements with international bodies to manufacture vaccines for COVID-19 and other endemic diseases.
- The UAE is producing the Hayat-Vax COVID-19 vaccine through a joint venture between Abu Dhabi's G42 and China's Sinopharm.

Potential Outcomes by 2030

- Halal-certified APIs and vaccines are widely available.

2

Halal digital healthcare is an untapped opportunity.

Digital healthcare, or telemedicine, has taken off during the pandemic as more services went online. While there have been notable investments in digital health in the Middle East, few have ventured into the halal segment.

Relevant Developments & Precedents

- Saudi-German Health is using Nutanix infrastructure and management technology for digital health solutions.
- Lebanese-founded digital dental start-up Basma.com raised US\$3 million in Series A funding led by Middle East Venture Partners (MEVP).

Potential Outcomes by 2030

- Halal digital healthcare has become the norm, reaching millions of patients and generating billions of dollars in revenues.

CHALLENGES

1

Companies fail to raise sufficient funding with halal healthcare considered too niche.

Healthcare has attracted significant investor attention during the pandemic, but halal healthcare has not, in part due to its nascency outside of core markets, notably Malaysia and Indonesia.

Risk

- Halal pharmaceutical manufacturers remain fragmented, unable to scale.

“We have the scientists, we have the theologists, but we need investment in halal laboratories. There is a huge vacuum in the billion-dollar industry for halal vaccines.”

Mohamed Jinna, CEO and Founder, Halal India

”

Governments

Governments can spur on the growth of halal healthcare by supporting local sourcing and innovation hubs

OPPORTUNITIES

1

Develop halal healthcare innovation and research hubs to drive sectoral growth.

The pandemic has highlighted the importance of robust healthcare systems and being able to rely on locally sourced medicines and expertise. As the pandemic eases, there are opportunities for OIC governments to invest in halal healthcare hubs to anticipate future health-related crises while improving local production and knowledge and creating jobs.

Relevant Developments & Precedents

- AstraZeneca and Sunway launched Malaysia's first health innovation hub to improve the treatment of non-communicable diseases (NCDs), the second hub in the OIC after the GCC.⁴⁷⁸
- Malaysia aims to be a regional halal vaccine and medical device production hub.⁴⁷⁹

Potential Outcomes by 2030

- Hubs covering the whole halal healthcare sector ecosystem have developed.

2

Improve standardization of halal pharmaceuticals, including vaccines and medical devices.

Standardization has plagued halal pharmaceuticals more than other segments of the Islamic economy, in part due to the health and safety requirements of the medical industry. More globally recognized standards would ease greater adoption, especially of vaccines.

Relevant Developments & Precedents

- Malaysia's JAKIM has developed widely recognized standards for halal pharmaceuticals.
- The OIC's SMIIC is to release standards but requires more government incentive and support.

Potential Outcomes by 2030

- Halal pharmaceuticals rival conventional sales in Muslim-majority countries.

CHALLENGES

1

Lack of unified standards for halal pharmaceuticals and vaccines.

The lack of a unified standard has prevented investments in halal pharmaceuticals and vaccines. This has also contributed to the anti-vax phenomena with Muslim consumers not wanting non-certified medicine.

Risk

- Halal healthcare and certified vaccines remain low priority compared to larger healthcare concerns.



Nutraceuticals and vitamins remain a further area of growth as preventative healthcare continues to be a top concern.

DREW HAYS/UNSPLASH

“Governments and companies need to educate consumers about halal pharmaceuticals, otherwise they are considered normal products. The focus should be more on doctors than patients.”

Ali Al Sheikh Wace, General Secretariat Office, Technical Committees, SMIIC, in Istanbul, Turkey

”

Businesses

Create joint ventures to produce halal pharmaceuticals in untapped markets, and expand nutraceutical portfolios

OPPORTUNITIES

1

Enter joint ventures in Muslim-majority markets lacking halal pharma.

Many of the lower-income Muslim-majority countries are unable to develop their own halal-certified pharmaceuticals yet have both the market size and consumer demand. More advanced pharmaceutical companies can enter joint ventures to gain market entry but also better understand the local market.

Relevant Developments & Precedents

- Malaysia's Duopharma is entering a joint venture with Bangladeshi pharma players to develop halal-certified medicines.
- South Korean pharmaceutical firms have entered into numerous joint ventures with Indonesian companies.

Potential Outcomes by 2030

- If the trend becomes a permanent shift, sales of fresh and chilled meat will drop significantly.

2

Expand halal-certified nutraceuticals and vitamins.

Preventative healthcare and supplements have become big business since the pandemic as people seek to bolster their immune systems. This has been reflected in the strong demand for halal-certified nutraceuticals and vitamins.

Relevant Developments & Precedents

- Malaysia's Duopharma expanded its halal nutraceuticals offerings during the pandemic.
- German health supplement gummy bear brand IvyBears, halal-certified, established an Asia HQ in Singapore to expand market reach.⁴⁸⁰

Potential Outcomes by 2030

- Halal pharmaceuticals and nutraceuticals is a billion-dollar business in Muslim-majority countries.

CHALLENGES

1

Awareness about halal pharmaceuticals remains low.

Awareness about halal pharmaceuticals remains low among the public and healthcare professionals, limiting the potential for scalability.

Risk

- With awareness low, halal pharmaceuticals fail to gain economies of scale while conventional medicine remains dominant in OIC markets.

“Halal pharmaceuticals are about knowledge sharing and awareness. We should take bold steps, not just Malaysia, but all countries, and be excited about the prospects of halal pharmaceuticals.”

Wan Amir Jeffrey, COO Dopharma Biotech, Malaysia

”

Gen Z & Millennial Perspective

on

Halal

Pharmaceuticals

■ Millennial ■ Gen Z



@HOOPFINESSE

My Views

WHAT DO HALAL PHARMACEUTICALS (MEDICINES, SUPPLEMENTS, MEDICAL DEVICES) MEAN TO YOU?

"In Indonesia, we know that the government and also the Ulema Council is actively promoting halal pharmaceuticals, so, I just look at the halal certification."

Handika

Indonesia, Millennial

"You look for the closest thing to halal when it comes to pharmaceuticals or medicine. My wife had to take prenatal vitamins and most had gelatin in them. The ones that were halal had fish products that made her even sicker. Overall, I believe if you have no option in medicine and you are forced to take it, it is sufficient to say "Bismillah" (in the Name of God) and eat it even if it is not halal."

Muhammad Abdul-Aleem

USA, Millennial

"I believe if you have no option in medicine and you are forced to take it, it is sufficient to say "Bismillah" (in the Name of God) and eat it even if it is not halal."

"Honestly, when it comes to medicine, I never really think a lot about what the ingredients are because I trust that if my doctor says I have to take this kind of medicine, then that's the medicine my body needs. My uncle is a pharmacist and a very religious person, and he is also of the opinion that sometimes the body needs certain kinds of ingredients to be healthy."

Hebah Nigm

Austria, Millennial



@HEBAHSROLLERCOASTER

Shopping Habits

DO YOU (OR ANYONE IN YOUR FAMILY) PURCHASE PHARMA PRODUCTS THAT ARE HALAL? (YES, NO, NO IDEA). IF YES, WHERE DO YOU BUY THEM FROM?

"From the local pharmacy, just like Handika said, in Malaysia as well, we believe that our local pharmacies have been regulated by the government, and there is no issue about halal."

Alyssa Nur Hannah

Malaysia, Gen Z

"From the local halal stores, especially the one in Atlanta. They provide a lot of pills and even black seed oil with honey. They have a nice little section that I've never seen anywhere else. In Orlando, it's very rare to find a selection of halal-certified medicine. But I avoid medicines as much as possible and take the herbal route instead."

Muhammad Abdul-Aleem

USA, Millennial

HOW HAS COVID-19 IMPACTED YOUR CONSUMPTION OF SUPPLEMENTS OR FITNESS ROUTINE?

"I used to go to a fitness center regularly. But since COVID-19, everything was shut down, and I had to do something that was more self-initiated. Now things are coming back to normal and opening up. But COVID-19 has definitely impacted fitness in a negative way with a lot of sitting in front of the laptop."

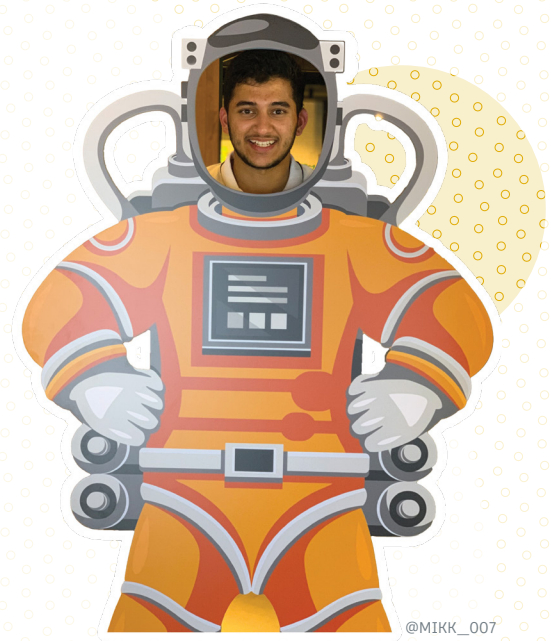
Mohammed Mishal
UAE, Gen Z

My Suggestions

WHAT DO YOU EXPECT FROM HALAL PHARMA BRANDS TO HELP MUSLIM YOUTH IN ACHIEVING A HEALTHY AND HALAL LIFESTYLE?

"An app would be amazing. I think one thing about the Muslim youth is we may be involved in some things that may not be completely Islamic, but when it comes to halal consumption, we take it seriously. So I think an app offering halal medicine, just like halal food, will thrive and prosper. We will download that app on our phones like the adhan (prayer) app."

Muhammad Abdul-Aleem
USA, Millennial



@MIKK_007

"COVID-19 has definitely impacted fitness in a negative way with a lot of sitting in front of the laptop."

"In my opinion, the halal pharmaceutical brands need to understand that the young generation is not only very tech-savvy but also well-informed. They follow a lot of things from their influencers on social media. But also, as Mishal mentioned earlier, the young people want to know more about the process of producing the product."

Handika
Indonesia, Millennial

"Halal pharmaceutical brands need to understand that the young generation is not only very tech-savvy but also well-informed."



Duopharma Biotech was incorporated in 2000 and is today 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 of over 300 halal-certified generic drugs as well as Consumer Healthcare ("CHC") products which are well-recognised and accepted by consumers in Malaysia, regionally and globally. The Company has also diversified into the biosimilars space with technology and commercialisation collaborations with credible and strong international partners.

We are the first pharmaceutical company in Malaysia to obtain Halal Malaysia Certification by the Department of Islamic Development Malaysia (JAKIM) for our range of health supplements under the brands CHAMPS®, FLAVETTES®, PROVITON® and NATURALLE. In 2017, we made history as the first pharmaceutical company to obtain Halal Malaysia Certification for Prescriptive Medicines based on the world's first halal pharmaceutical standard, Malaysian Standard MS2424. The demand for halal is increasing as it is setting a higher benchmark for quality. Our halal principle is "Halal Built-in, Not Tested For".

Flavettes®
Effervescent

CHAMPS

Uphamol

PROVITON
Daily Multivitamin

EYE GLO

Naturalle

Visit us on: www.duopharmabiotech.com
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HALAL COSMETICS





Halal cosmetics sales have grown in East Asia at a faster pace than any other market, driven by Indonesian brands of all shapes and sizes, from small independent startups to established players expanding their market footprint.

S

uch growth during the difficult operating environment the COVID-19 pandemic has presented is indicative of the burgeoning potential of halal cosmetics. This is evident in Muslim-majority and non-majority countries as awareness around halal grows – that halal-certified cosmetics contain no haram (unlawful) ingredients and are increasingly cruelty-free and vegan.

Major ingredient manufacturers are getting halal certification for their portfolios, while the growing demand for vegan cosmetics is to the advantage of the development of halal cosmetics. Hourglass Cosmetics and Unilever, for instance, have created a vegan carmine alternative for lipstick – carmine is derived from insects, which is considered haram, as is porcine, another common ingredient used in lipsticks.

East Asia has cemented its position as the epicenter of halal cosmetics. South Korean cosmetics manufacturers and brands, which are riding the global popularity of K-beauty, have continued to get halal certification, primarily with an eye on exports to OIC countries, from East Asia to Central Asia, and the Middle East. Japanese brands are also entering the halal cosmetics segment.

Indonesia's large Muslim population, at some 225 million, is a key driver of the growth of halal cosmetics, propelled by its young populace, but also due to the country's strategic move to develop an Islamic economy, putting in place obligatory halal certification requirements over the coming years.

Indonesian brands are expanding their portfolios and global footprint. There have also been moves to expand halal cosmetics ranges beyond women to include men, with Indonesia's Paragon, owner of the country's largest halal brand, Wardah, launching its Kahf line.

The Gulf Cooperation Council (GCC) countries have also witnessed significant expansion in the beauty market, in line with the region having the world's highest per capita spending on cosmetics and fragrances. Halal cosmetics brands are being launched, and newcomers are expanding through tie-ups with eCommerce platforms and retail outlets.

Regulations pertaining to cosmetics have tightened in many markets, while the industry itself is calling for stronger measures against cruelty to animals and the impact of cosmetics on the environment.

Halal cosmetics brands are tapping into this trend while also reflecting consumer demand for inclusivity and diversity in product offerings and marketing.

With demand for cosmetics that take into account consumer desires on the rise, halal cosmetics is set for solid growth.

Muslim spend on cosmetics is estimated at US\$70 billion in 2021 and forecast to reach US\$93 billion by 2025.



Halal Cosmetics

Represented by **\$70 billion** of spending by 1.9 billion Muslims on cosmetics (2021 est.)

ALL FIGURES
IN US DOLLARS

\$13 billion

of cosmetics imports by
OIC* countries
(2020)



Top 5 cosmetics Muslim consumer
markets (2021)



Top 5 exporting countries to OIC (2020)

The thickness of the lines is proportional to the value of the
country's exports

3. USA
\$0.8 billion

*All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Cosmetics imports by OIC are based on ITC Trademap 2020 data. Projections are baselined on data from IMF Outlook from April 2021. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology.
OIC: Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.

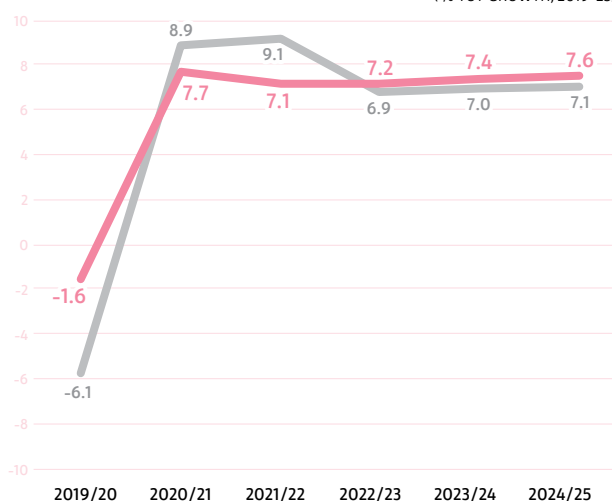


COVID-19 Impact Projections

Projected 4-year CAGR of 7.4% (2021/25) reaching
\$93 billion by 2025

Projected Global Muslim spend on Cosmetics versus all
halal products & lifestyle sectors

● All sectors ● Cosmetics (% YOY GROWTH, 2019-25)



Investments

Increased skincare product demands and
emergence of AI platforms, such as virtual try-
on make-up, driving investments.

\$20.3 million

in halal-related cosmetics
investments 2020/21*

Pakistan's Bagallery, eCommerce platform,
received \$900,000 in pre-series A funding

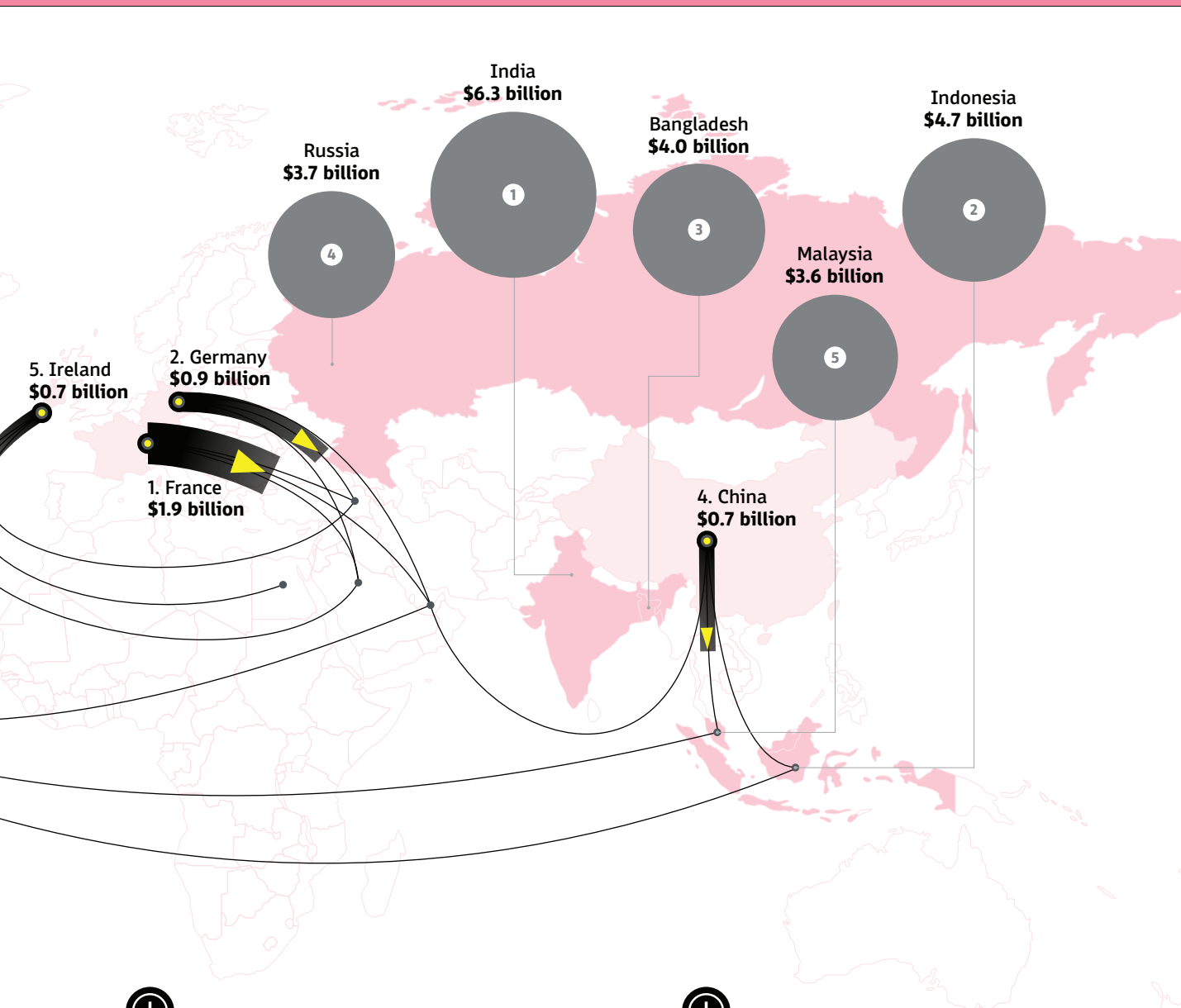
UAE-based start-up selfologi, healthtech and
cosmetics website, received \$17.5 million in seed
funding

DEALS

Top countries with # of related deals in 2020/21

2	Pakistan	1	Turkey	1	Malaysia	1	UAE	1	Indonesia	1	South Africa
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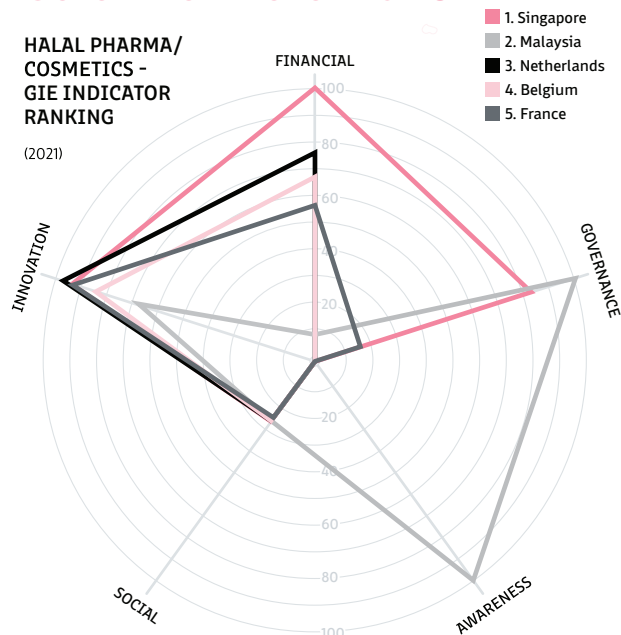
7 TOTAL



Government Benchmarks

HALAL PHARMA/ COSMETICS - GIE INDICATOR RANKING

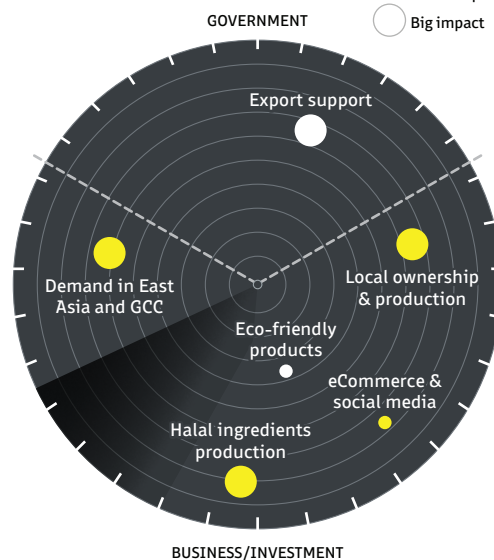
(2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact



2020/21 Developments

Revenue/Investment Developments

LATEST PROJECTIONS

Muslim spend on cosmetics increased by 6.8% to US\$70 billion in 2021 from US\$65 billion in 2020, with India, Indonesia and Bangladesh ranked as the top three countries. A CAGR of 7.4% is expected between 2021 and 2025, with Muslim spend expected to reach US\$93 billion by 2025.

Note: This does not represent the actual value of 'halal-certified' cosmetics consumption. Rather, it represents the core addressable Muslim consumer market spending in the cosmetics category.

INVESTMENTS' SUMMARY

Although the number of deals in halal cosmetics increased from 3 in 2019/20 to 5 in 2020/21, the value of deals decreased from US\$124.7 million to US\$20.3 million. All the deals were venture capital deals. Only 0.1% of total Islamic economy investments were made in the halal cosmetics sector.

Country	Deal Type	Sub-Vertical	Organization Name	Deal Value (US\$000s)
UAE	Venture Capital	Cosmetic Surgery, Health Care, Wellness	selfologi	17,500
Pakistan	Venture Capital	Beauty, eCommerce, Fashion, Lifestyle	Bagallery	900
Pakistan	Venture Capital	Beauty, Cosmetics	Conatural Beauty	825
Turkey	Venture Capital	Cosmetics, Marketplace, Mobile Apps	Meloknows	582.2
Indonesia	Venture Capital	Cosmetics, Lifestyle	Alattā Beauty	500

New halal cosmetics companies, as well as established ingredient manufacturers and cosmetics producers, have entered the market to tap into rising demand

Halal certification gains ground in non-OIC countries

- Japan's Momotani Juntenkan launched halal line HAPPINESS BEAUTE, with three products made in its Okayama plant certified in 2020.⁴⁸¹
- The USA's INOLEX, a cosmetic ingredient company, had its whole product portfolio halal-certified by IFANCA. The company transitioned its portfolio to vegan-friendly and cruelty-free in 2018.⁴⁸²
- South Korea's MEGACOS, an ODM and OEM cosmetics manufacturer, was halal-certified by Indonesia's MUIS.⁴⁸³
- South Korea's C&C International, an ODM company specializing in color cosmetics, is seeking halal certification after listing on KOSDAQ in May 2021.⁴⁸⁴

Turkey. The halal-certified brand releases 200 new products a year and aims to be a top-five global brand by 2023.⁴⁸⁵

- Indonesia's Mustika Ratu, a halal cosmetics and herbal supplements producer, is growing its global footprint by expanding in the Middle East and Africa. The firm also signed a partnership with a Russian distributor for Russia, Kazakhstan, Armenia, and Belarus.⁴⁸⁶
- Brazil's Adélia Mendonça Cosmetics acquired halal certification, with plans to sell in three GCC countries.⁴⁸⁷
- Indonesia's PT Paragon, the owner of the brand Wardah, launched a halal-certified male line, Kahf, in the Indonesian market.⁴⁸⁸

Halal cosmetics companies are entering new markets and offering more product ranges

- Indonesia's Wardah is expanding into Southeast Asia and the Middle East, with a focus on Thailand and

New and established cosmetics brands are launching in the GCC

- European cosmetics retailer Rituals to open up to 100 stores in GCC within five years. Rituals currently has

25 stores in the GCC, with 13 in the UAE.⁴⁸⁹

- Emirati-Yemeni singer Balqees Fathi launched a new luxury make-up brand, BEX Beauty, for Arab women.⁴⁹⁰
- Dubai-based celebrity make-up artist Mohammed Hindash launches beauty brand Hindash Cosmetics.⁴⁹¹
- UAE-based content creator Salama Mohamed launches sustainable skincare brand, Peacefull, for the GCC market.⁴⁹²

OIC-based cosmetics companies are entering new markets

- Oman's Amouage, a luxury perfumery, expanded into the US through a subsidiary, Amouage Americas, and

partnerships with department stores Nordstrom, Neiman Marcus, Bloomingdale's, Bergdorf Goodman, and Saks Fifth Avenue. The perfumer, which uses frankincense, plans to expand in China beyond a presence on eCommerce platforms Tmall, WeChat, Weibo, and Little Red Book.⁴⁹³

- Turkey's Farmasi opens a new HQ and US\$25 million distribution center in Florida to have direct sales of beauty products in the US market.⁴⁹⁴
- Saudi Arabia's Al Hokair fashion retail company to open Italy's Kiko Milano stores in Morocco, Georgia, and Azerbaijan.⁴⁹⁵

Operational Developments

Cosmetics companies are amending portfolios and sales strategies due to changing consumer demand

Global brands are increasingly focusing on the burgeoning Asian and GCC markets to drive future sales

- Unilever opened a halal research center in Indonesia. The Muslim Center of Excellence will be the reference for Unilever's global market of 180 countries.⁴⁹⁶
- Germany's Beiersdorf invested Euro 10 million in a Shanghai innovation center, the company's biggest outside of Germany.⁴⁹⁷
- France's L'Oreal creates a distinct zone, South Asia Pacific and the Middle East & North Africa (SAPMENA), headquartered in Singapore, covering 35 markets.⁴⁹⁸ The

company has also utilized a brand loyalty program on the Asian eCommerce platform Shopee in seven markets to drive sales.⁴⁹⁹

- US brand MAC teamed up with Lebanese actress Nadine Nassib Njeim for a make-up range. New collaboration follows tie-ups with Egyptian Actress Yasmine Sabri and a partnership with Saudi make-up artist Nora Bo Awadh, called MAC Cosmetics x Yasmine Sabri.⁵⁰⁰
- Indian ayurvedic brand Vedix to launch via eCommerce platform Amazon in the GCC by the end of 2021.⁵⁰¹

The pandemic has led to a drop in sales of lipsticks and more demand for skincare

- US lipstick maker Coty Inc. increased investment in make-up to offset losses in its core business and launch products for the Asian market.⁵⁰² UK brand Cult Beauty's lipstick sales dropped 8% in 2020, while skincare sales have more than doubled.⁵⁰³
- UK department store John Lewis reported a 234% increase in sales of skincare, body, and hair products in 2020 as demand for make-up declined.⁵⁰⁴

Sales of cosmetics at stores plummeted during the pandemic, while some brands and retail outlets closed permanently

- Ireland-based Inklot Cosmetics, one of the first brands to make breathable nail polish entered liquidation. All 20 stores are to close, but the Swarbrigg family is to run the brand online and for wholesale.⁵⁰⁵
- Sales of designer cosmetics at department stores in the UK dropped by 40% in 2020, a decline of around US\$590 million.⁵⁰⁶
- The closure of major retailers, like the UK's Debenhams with 124 stores nationwide, has hit cosmetics sales.⁵⁰⁷ In the USA, 200 department stores have shuttered in the past year, and a further 800 are expected to close within five years.⁵⁰⁸



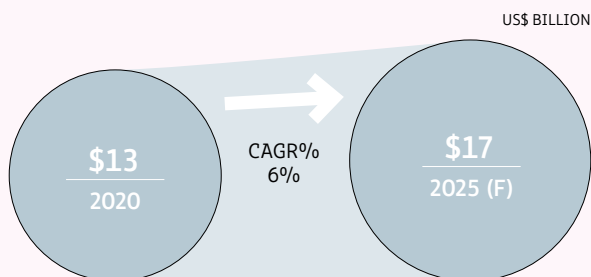
MAC COSMETICS

MAC Cosmetics partnered up with Nadine Nassib Njeim for the Black Cherry x Nadine N. Njeim collection

National and Trade Developments

The 57 OIC member countries imported around US\$13 billion in cosmetic products in 2020. With the COVID-19 pandemic impacting supply chains, OIC imports of cosmetics dropped 22.4% in 2019. But in 5 years, OIC imports of cosmetics are forecast to grow at a CAGR of 6%, to US\$17 billion. With increasing demand and imports by countries in the Middle East and Southeast Asia, the top 5 importers make up 56% of the total imports to OIC.

OIC COSMETICS IMPORT AND GROWTH (2020-2025)



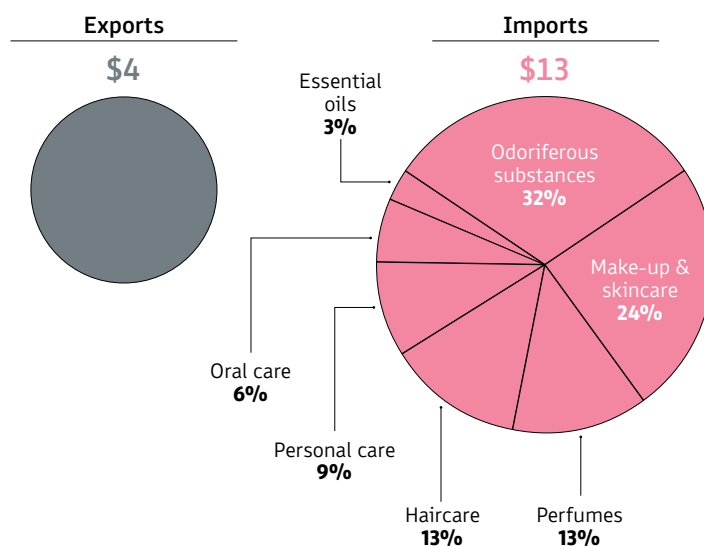
Source: DinarStandard synthesis and analysis

Trade Indicators – Major trade gap in food imports by OIC member countries:

The OIC countries exported US\$4 billion in cosmetic products in 2020 (3% of global exports), resulting in a US\$9 billion trade deficit. The top 5 suppliers of cosmetics to the OIC countries are non-OIC markets (France, Germany, the US, China, and Ireland), making up almost 40% of the global supply. There is an increasing demand for cosmetics in the region, especially for halal-certified cosmetic and skincare products as well as odoriferous substances such as raw products. For OIC member countries to take the lead in the growing market, they need to increase production and strengthen intra-OIC trade.

OIC Trade in Cosmetics Breakdown

US\$ BILLION (2020 EST.)



Top Exporters to OIC of Cosmetics

US\$ BILLION (2020 EST.)

France	\$1.90
Germany	\$0.94
USA	\$0.77
China	\$0.72
Ireland	\$0.68
Singapore	\$0.62
Spain	\$0.55
India	\$0.53
Italy	\$0.50
UK	\$0.48

Top OIC Importers of Cosmetics

US\$ BILLION (2020 EST.)

UAE	\$1.99
Saudi Arabia	\$1.88
Turkey	\$1.16
Indonesia	\$1.13
Malaysia	\$0.98
Nigeria	\$0.57
Iraq	\$0.41
Kazakhstan	\$0.38
Morocco	\$0.36
Algeria	\$0.36

Source: DinarStandard synthesis and analysis

Regulations & Trade Agreements

South Korean cosmetics exports to OIC countries surged in 2020, while overall cosmetics imports into the OIC declined

- South Korean cosmetics exports to OIC countries grew by 9.1% in 2020, reaching US\$295 million. Top destinations were Malaysia, Indonesia, Kazakhstan, and Kyrgyzstan, while exports to the UAE grew by 62.7%

and to Saudi Arabia by 90.1%.⁵⁰⁹

- Cosmetics imports to the OIC declined by 22.4% in 2020, to US\$13 billion, due to supply chain disruptions and the pandemic. Cosmetics exports from the OIC reached US\$4 billion.

Ecosystem Developments

Halal standards are being amended, countries are tightening import requirements, and the industry is pushing for more ethical standards

New halal regulations have been introduced

- Indonesia has amended 76 laws, including the Halal Product Assurance Law.⁵¹⁰
- Malaysia's Halal Certification Procedures Manual, Halal Management System, and Halal Standards are to come into effect, with changes set to impact 50-60% of the cosmetics industry. This improves enforcement of halal standards and regulations and requires Internal Halal Competency Training once every three years for large and medium-sized companies.⁵¹¹
- Indonesia's National Agency of Drug and Food Control (BPOM) introduced a new Gradual Fulfilment Certificate for cosmetics companies to prove they will attain GMP certification.⁵¹²

New rules and import requirements are tightening oversight of the sector

- South Korea's Ministry of Food and Drug Safety (MFDS) enforces rules on custom cosmetics for retail businesses to meet higher safety standards amid a rise in sales

of bespoke labels.⁵¹³

- China implemented provisions for new cosmetic ingredients (NCI) registration and notification, effective May 2021.⁵¹⁴

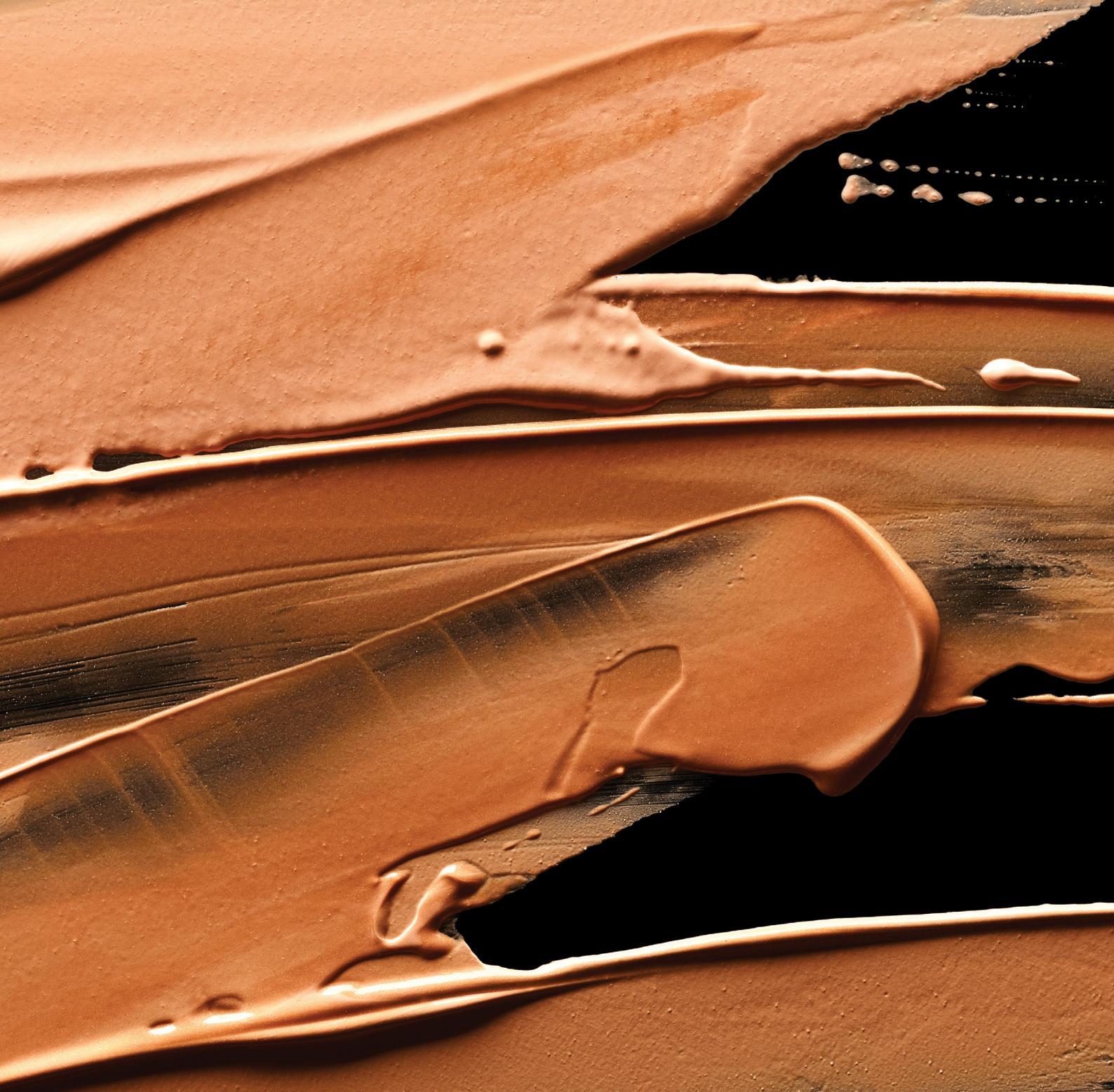
Cosmetics companies are pushing for animal testing bans and improved methodologies on the impact of cosmetics on humans and the environment

- 400 beauty companies and brands called on the EU to stop new animal testing and adhere to the existing EU animal testing ban on cosmetics products and ingredients.⁵¹⁵
- The International Fragrance Association will enforce its 49th Amendment on new methodologies to improve the science of measuring the effects of fragrance on skin, including phototoxicity, accumulative exposure, and the measuring of bioaccumulation of materials in the environment. The move follows the July 2020 global sustainability charter signed by 120 companies.⁵¹⁶



SHUTTERSTOCK

South Korea cosmetic exports have surged in 2020



SHUTTERSTOCK

Social Impact Developments

Cosmetics companies are launching initiatives for sustainable packaging and more inclusive product lines

- Five competing brands selling on eCommerce site Sephora—REN, Biossance, Caudalie, Herbivore, and Youth to The People—have committed to a zero-waste pledge in product packaging by 2025.⁵¹⁷
- France's L'Oreal released 2030 sustainability goals on plastics and carbon emissions, with an eco-friendly labeling system to be adopted from 2022 onwards and 95% of ingredients to be bio-based.⁵¹⁸
- Cosmetics brand Sure launches the world's first inclusive deodorant designed for people with disabilities, being user-friendly with one-handed usage, and having a Braille label.⁵¹⁹
- UK cosmetics brand Lush partnered with Black Owned UAE to support black-owned SMEs in the MENA affected by the pandemic.⁵²⁰

SIGNALS OF OPPORTUNITIES

Consumers are demanding brands be more eco-friendly and inclusive

Whether halal certified or not, cosmetics brands are responding to growing societal demands for products to be more eco-friendly and racially inclusive in product offerings and marketing. Consumers are also increasingly demanding cruelty-free, organic, natural and vegan-certified cosmetics.

The pandemic has pushed digitalization

Cosmetics companies are adapting their portfolio and commercial strategies to consumers' post-COVID-19 behaviors and demands, while sales are being driven by eCommerce and digital marketing.

The pandemic has driven support for local ownership and production

The trend to 'buy local' to support the economy during the pandemic has benefited small and medium-sized cosmetics brands. Local brands have also innovated and responded faster to market needs.

Lack of quality halal ingredients produced in OIC countries

New halal brands have struggled to source quality halal-certified ingredients from within the OIC, relying on European and American ingredients to meet production needs, presenting an opportunity for ingredient manufacturers to improve quality given burgeoning demand.

Countries supporting the cosmetics sector are seeing strong export growth

From training to promotion and amending regulations, government support is bolstering cosmetics exports, notably South Korea and India, with the latter supporting the development of indigenous ingredients and natural treatments.

Strategic Considerations by Stakeholder

Overview

Halal cosmetics brands have made commercial inroads despite the challenging retail environment during the pandemic by utilizing eCommerce, developing strong customer interactions, and embracing diversity.

The more successful brands have sought out larger eCommerce platforms with a retail presence. Independent brands have been able to release new products within several months compared to years for multinationals, adapting to changes in consumer behavior.

Scalability has, however, remained a challenge for SMEs, presenting opportunities for stakeholders, while quality halal-certified ingredients is an area warranting further investment, especially in OIC countries.

Government support to research and develop indigenous ingredients for use in halal and vegan cosmetics is a potentially burgeoning area of growth that feeds into consumer demand for more locally made products.

Investors

The pandemic has presented new opportunities for independent brands as consumers seek to source locally and buy through eCommerce platforms

OPPORTUNITIES

1

The use of eCommerce platforms increased dramatically during the pandemic, which has enabled new and indie brands to scale up.

New brands and products have sprung up during the pandemic. Brands have also tapped into growing demand for locally produced products that relate to consumer needs, with sales driven by digital sales and brands reaching consumers through social media and influencers. Investing in emerging platforms will drive further sectoral growth.

Relevant Developments & Precedents

- Kuwait's Boutiqaat has become the GCC's largest eCommerce platform for cosmetics and skincare products
- Lebanon's cosmetics eCommerce platform Feel22, which sells over 3,000 products in multiple markets, is releasing new products developed within six months compared to 2 years for mainstream brands.

Potential Outcomes by 2030

- Global multi-million-dollar halal cosmetics brands linked to eCommerce platforms have emerged.

2

Develop ingredient alternatives that can be used by halal and vegan cosmetics manufacturers.

Demand is growing for vegan, organic, and 'clean' beauty products, driven by heightened ethical awareness among young consumers. Sourcing high-quality, vegan ingredients is still a challenge, particularly outside of Europe and North America, presenting opportunities for OIC companies to develop such ingredients that can cater to halal cosmetics manufacturers also seeking cruelty-free and vegan labels.

Relevant Developments & Precedents

- Hourglass Cosmetics and Unilever's R&D created a vegan carmine alternative for lipstick.
- 400 beauty companies and brands call on the EU to stop new animal testing and adhere to the existing EU animal testing ban on cosmetics products and ingredients.

Potential Outcomes by 2030

- Multi-billion-dollar ingredients suppliers have emerged that cater to halal and vegan consumers.

CHALLENGES

1

Mainstream eCommerce sites remain dominant.

While sales on eCommerce platforms have surged during the pandemic, smaller and indy halal cosmetics brands have often struggled to get onto larger platforms with greater consumer reach and turnover.

Risk

- Limited presence on popular eCommerce sites restricts the potential of halal cosmetics, remaining niche.

“We partnered with a regional player, Faces, part of the Chalhoub Group, a luxury retailer and eCommerce platform in Dubai. It has given a really good boost to our sales during the pandemic, and for future progress.”

Nour Khalife, CEO and Co-Founder of SHADE M BEAUTY, Dubai, UAE

”

Governments

Support research and development into indigenous plants and the overall halal cosmetics ecosystem

OPPORTUNITIES

1

Support research into indigenous raw ingredients to develop halal cosmetics' offerings.

Innovative ingredients sourced from indigenous plants are being used by brands to stand out from competitors in local markets but require more research and development and collaborations with institutions to fully realize the potential. Will support the development of a more integrated value chain and for exports.

Relevant Developments & Precedents

- India's Ministry of Ayush supports developing education, research, and propagation of indigenous ingredients and treatments.
- South Korea's Ministry of Food and Drug Safety (MFDS) enforces rules on custom cosmetics for retail businesses to meet safety standards.

Potential Outcomes by 2030

- An integrated value chain has been developed that utilizes indigenous plants and R&D for a wide product portfolio of halal cosmetics.

2

Enact government-issued compliance certifications for exports.

Governments around the world are improving standards and heightening requirements for cosmetics products, including imports. Companies lacking compliance certificates such as for Good Manufacturing Practices (GMP) and ISO standards on animal testing will face restrictions, such as into China, and for halal standards, for the Indonesian market. OIC governments can work on improving inter-trade collaboration.

Relevant Developments & Precedents

- Canada's Cosmetics Alliance lobbied the government to issue authorized GMP compliance certificates to export to China.⁵²¹
- Indonesian halal certification process amended under Halal Product Assurance Law.⁵²²

Potential Outcomes by 2030

- Widespread exporting of halal cosmetics brands with government-recognized compliance certification.

CHALLENGES

1

Lack of unified standards for halal cosmetics.

Without a more universally accepted halal cosmetics standard, manufacturers will struggle to export and gain scalability.

Risk

- Halal cosmetics remains niche, losing out to vegan and organic-certified cosmetics.



“Ayuverdic, native Indian and South American plants are making a comeback in terms of beauty supplements, powders and special teas. They are developing a lot in China and South Korea and will influence the South Asian market at some point.”

Héloïse Lefebvre du Prey, Project Manager for Southeast Asia, Asia Cosme, France

Businesses

Eco-friendly, sustainable and inclusive products are being demanded by consumers

OPPORTUNITIES

1

Develop omnichannel strategies to maximize consumer reach.

Brands need to be adaptive to consumer demands, from offering multiple sales avenues—online and in physical stores—to adopting new technologies—AI and AU—to interacting with buyers. An omnichannel strategy also allows for unifying consumer data across digital platforms and systems to bolster the consumer business experience.

Relevant Developments & Precedents

- Cosmetics retail giant Sephora blends in-store experiences with digital platforms to enhance the customer journey.⁵²³
- Japan’s Shiseido launched a Beauty Innovations Fund in partnership with Chinese investment firm Boyu Capital for emerging beauty and wellness brands.⁵²⁴

Potential Outcomes by 2030

- Halal cosmetics firms’ consumer data is as valuable as brands’ product portfolio revenues.

2

Re-position product lines to be eco-friendly and inclusive.

Re-think halal cosmetics products lines to have first-mover market advantages by reflecting the shift towards eco-friendly products and packaging while tapping into consumer demand for diversity and inclusivity. By covering more consumer demands, brands have an opportunity to cater to a wider consumer base globally.

Relevant Developments & Precedents

- Unilever removed ‘normal’ from packaging and ads to enhance inclusivity and be more equitable.⁵²⁵
- The British Beauty Council (BBC) launched a Sustainable Beauty Coalition (SBC) to improve sustainability in the industry.⁵²⁶

Potential Outcomes by 2030

- Eco-friendly, sustainable, and inclusive brands for all ethnicities are mainstream.

CHALLENGES

1

Companies only pay lip service to sustainability.

Halal cosmetics brands have focused more on certification and gaining market share as they scale up rather than developing eco-friendly products.

Risk

Mainstream global brands will continue leading the sustainable cosmetics space.



“Small indy brands are able to connect better with digital consumers by creating more relatable content and are faster at launching trendy and innovative products, within six months, whereas a traditional cosmetics company would take two years.”

Maurice Mattar, CEO, Feel 22, Lebanon



KELLY SIKKEMA / UNSPLASH

Consumers seek to
source locally and
more sustainably

Gen Z & Millennial Perspective

on

Halal Cosmetics

■ Millennial ■ Gen Z

My Views

WHAT IS YOUR UNDERSTANDING OF HALAL COSMETICS? DO YOU THINK HALAL, ORGANIC OR VEGAN COSMETICS HAVE ANYTHING IN COMMON?

"I don't think that halal, vegan, and organic are all of the same because there are organic cosmetics that may have animal products in them. Prior to reverting to Islam, I used a lot of make-up products. But now, I have learned that certain ingredients, like pig products, are not allowed, so I had to throw away a lot of them. I consider vegan to be halal by nature, although it may be unethical in terms of forced labor, but I am not sure how to determine that either."

Riley Logan
USA, Gen Z

"We discuss a lot about whether halal for cosmetics is same as halal for food. For instance, pig is not allowed to be eaten, but some Muslims are of the opinion that its products can be used for external purposes (like leather and makeup). And I am not always 100% sure if I should trust an organic label. Because of this confusion, I try to use more vegan products. But I think that goes back again to what Muhammad said about the food. If I don't know specifically that there's something bad in a certain product, I just use it."

Hebah Nigm
Austria, Millennial

"I define halal cosmetics as products that don't have ingredients derived from pig, blood, non-halal gelatin, or animals not slaughtered in the Islamic way."

"I define halal cosmetics as products that don't have ingredients derived from pig, blood, non-halal gelatin, or animals not slaughtered in the Islamic way. But like Hebah, I am not 100% sure if I should believe the ingredients on an organic or halal product. But I do my research and try to find out more about it."

Amira Rahmat
Singapore, Millennial



@HEBAHSROLLERCOASTER

"I would define halal cosmetics just like I define halal food. It should have no haram ingredients and should be clean and ethically made. I buy halal-certified cosmetics and don't think a lot about the ingredients."

Alyssa Nur Hannah
Malaysia, Gen Z

"If I don't know specifically that there's something bad in a certain product, I just use it."



@SINGAPOREANABROAD

Challenges

IS IT EASY TO FIND COSMETICS LABELED HALAL? WHAT ARE THE CHALLENGES YOU ENCOUNTER WHEN YOU WANT TO BUY HALAL COSMETIC PRODUCTS?

"I have never seen products that have a halal label, and I'm not sure if it has to do with the place that I live in."

Hebah Nigm
Austria, Millennial

In Indonesia, we consider cosmetics to be halal when it has a halal logo on it. A lot of the big cosmetics companies here use halal certification as a strategy to especially attract the young Muslims here."

Handika
Indonesia, Millennial

"My wife, Stacey, did a collaboration with a big company that produces halal nail polish. We experimented with their nail polish on a paper towel to learn that water does not go through it. That same brand then upgraded their halal nail polish and tested it on a medicinal tablet that dissolved in water after coating the polish. But anyway, she also stays away from anything that's animal tested."

Muhammad Abdul-Aleem
USA, Millennial

"In my place, we usually don't focus on whether there's a halal logo or not. We don't really think about it."

Alyssa Nur Hannah
Malaysia, Gen Z



"In my place, we usually don't focus on whether there's a halal logo or not."



@PROLOGIRL

"A lot of the brands say they are halal-certified but they don't have any certifications. I have to test my nail polishes to ensure water goes through."

"I had a similar experience with nail polish in the United States. A lot of the brands say they are halal certified, but they don't have any certifications. I have to test my nail polishes to ensure water goes through. In the United States, there's a halal certification board that determines the halal status of a product on their website and is quite useful."

Riley Logan
USA, Gen Z

My Suggestions

TECHNOLOGY TRENDS LIKE "AR - TRY-ON-MAKE-UP" ARE EMERGING THAT HELP YOU VIRTUALLY TEST MAKE-UP. WHAT OTHER COOL TECHNIQUES WOULD YOU LIKE HALAL COSMETIC BRANDS TO USE?

"I have seen stores with "try-on-makeup" technology, a complete end-to-end experience where you select a brand or colors that you like, stand in front of the screen, and it automatically detects and applies make-up on your face. What if we had the possibility of a system making recommendations based on some of the things that are important to you or that you really look out for each time. More personalized feedback would be great to see."

Mohammed Mishal
UAE, Gen Z

ISLAMIC- THEMED MEDIA AND RECREATION





In the first year of the pandemic, the media sector had a captive audience but struggled with producing new content amid restrictions. As the world has opened up, production has gone back into full swing, as have investments, expansion plans, and operational developments to tap into the burgeoning demand.

T

he OIC's media market is spreading its wings, particularly Gulf-based entertainment. Arabic language streaming services and music platforms have expanded, with Shahid VIP launching in the US market and Warner Music acquiring a stake in Rotana, the Middle East's

largest record label.

Global streaming giants such as Netflix have continued to show interest in more localized content, from collaborations with Saudi production houses to commissioning content for Ramadan. The holy month saw a flurry of new productions within and beyond the OIC.

The mobile gaming industry has been a particular growth area over the past year, albeit with minimal Islamic-themed content. The Middle East has emerged as the fastest-growing mobile gaming market globally, rising by 25% in 2020. Foreign investors have taken notice, with Turkey's mobile gaming industry attracting billions of dollars in investment.

Digital developments are apparent in the OIC's art scene through the use of Non-Fungible Tokens (NFTs). UAE-based Behnood Javaherpour launched the country's first NFT digital Islamic art agency, with digital art sold through cryptocurrency at live auctions worldwide.

New mobile phone apps catering to Muslim lifestyles continue to be launched, ranging from ImamConnect, dubbed the 'uber for imams,' to Sango, an audio, social app building Muslim communities online.

Muslim-themed children's content has cemented its position as one of the key foundations and drivers of Islamic-themed media. Malaysian show Omar & Hana, developed by Digital Durian, reached over 3 billion views on its YouTube channels in 50 countries, while Canadian streaming platform Muslim Kids TV launched in Indonesia and Pakistan. New tax policies in the USA and restrictions on ad revenues from children's content on YouTube have, however, dented Digital Durian's revenue model, prompting the production house to launch an app for the show as well as diversify into developing a pre-school curriculum.

With diversity a buzzword across many economic segments, the movie industry is increasingly onboard. British actor Riz Ahmed launched his 'Blueprint for Muslim Inclusion' in the industry, while the Oscars issued inclusion and diversity guidelines.

With demand for entertainment continuing to rise, from mobile gaming to movies and streaming services, Muslim-themed media is poised for incremental growth as content producers target an audience of 1.8 billion Muslims.

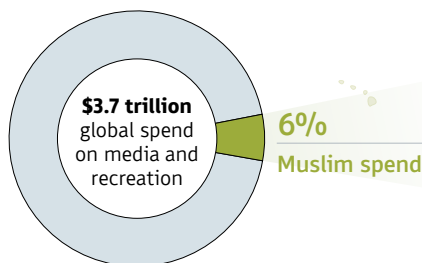
Muslim spend on media and recreation was US\$231 billion in 2021 and is forecast to reach US\$308 billion by 2025.



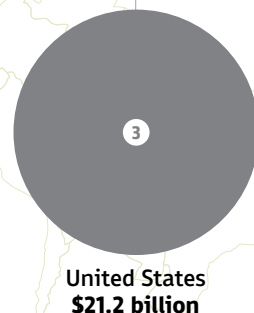
Media and Recreation

Represented by **\$231 billion** of spending by 1.9 billion Muslims on media and recreation (2021 est.)

ALL FIGURES
IN US DOLLARS



Top 5 media and recreation Muslim consumer markets (2021)

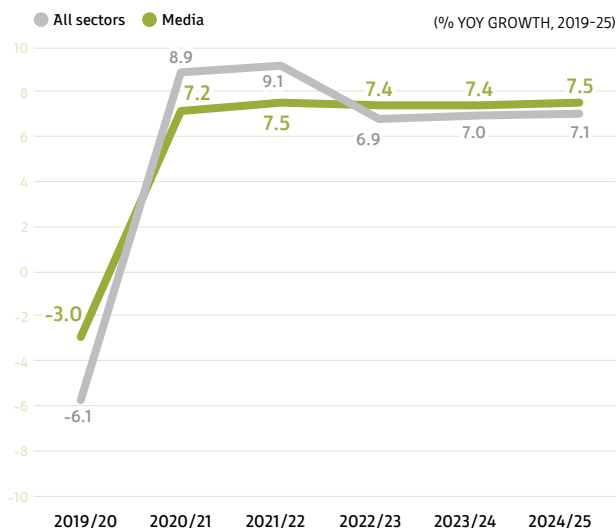


*All estimates by DinarStandard Research & Advisory. Muslim consumer spend estimates & analysis by DinarStandard leveraging World Bank's ICP 2017 consumer data as baseline reference. Projections are baselined on data from IMF Outlook from April 2021. Investments (figures and individual deals) are based on a detailed scan of databases from Zephyr, CapitalIQ, Crunchbase and DinarStandard analysis from 1st August 2020 to 31st July 2021. See appendix for detailed methodology.
OIC: Organization of Islamic Cooperation, 57 mostly Muslim-majority member countries.

COVID-19 Impact Projections

Projected 4-year CAGR of 7.5% (2021/25) reaching \$308 billion by 2025

Projected Global Muslim spend on Media versus all halal products & lifestyle sectors



Investments

Increased work-from-home and at-home entertainment driving demand and investments in media sector.

\$1.3 billion
in media & recreation investments 2020/21*

Indonesian online marketplace, Tokopedia, received \$350 million in investment from Temasek Holdings Pte. (Google and Singapore's state investment firm)

UAE-based Anghami is the first Arab technology company to list on NASDAQ New York via a merger with Vistas Media Acquisition Company Inc.

DEALS

Top countries with # of related deals in 2020/21

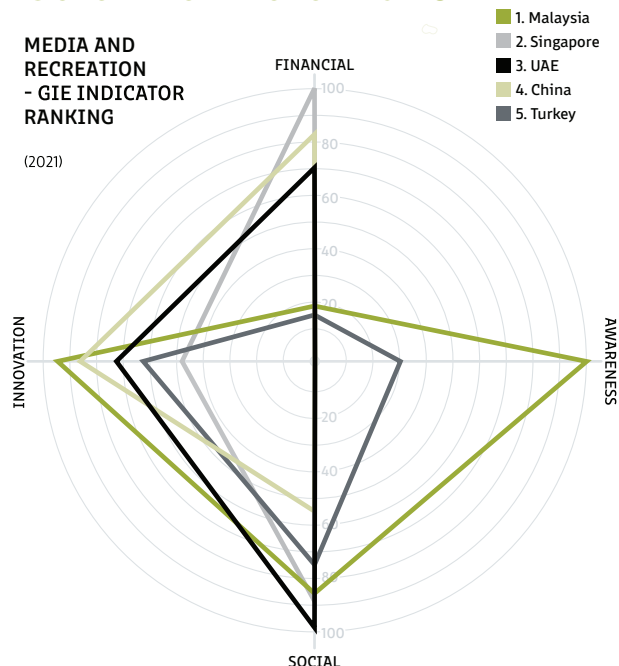




Government Benchmarks

MEDIA AND RECREATION - GIE INDICATOR RANKING

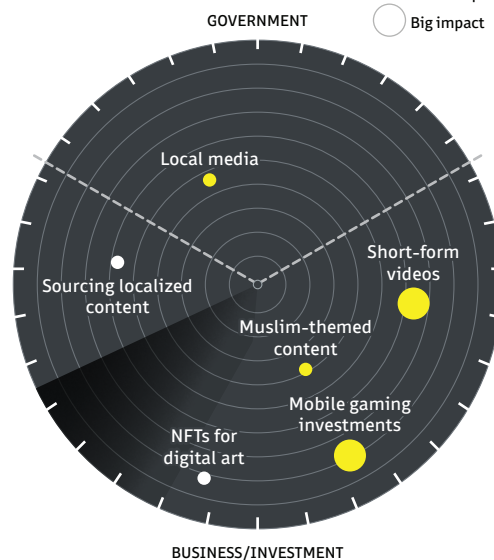
(2021)



Signals of Opportunities

Amidst the pandemic, multiple strong and weak signals of opportunities are emerging

- Weak signal
- Strong signal
- Small impact
- Big impact



2020/2021 Developments

Revenue/Investment Developments

LATEST PROJECTIONS

Muslim spend on media and recreation increased by 7.2% in 2021 to US\$231 billion from US\$216 billion in 2020, with Turkey, Indonesia, and the US ranked as the top three countries. A CAGR of 7.5% is expected between 2021 and 2025, with Muslim spend expected to reach US\$308 billion by 2025.

Note: This does not represent the actual value of Islamic-themed or regulated media and recreation consumption. Rather, it represents the core addressable Muslim consumer market spending in the general media and recreation category.

INVESTMENTS' SUMMARY

Investments in Media and Entertainment accounted for 5% of deals made across the Islamic economy. This is an increase from the 1% in 2019/20. Accordingly, deal value also increased from \$121 million in 2019/20 to \$1.3 billion in 2020/21. The majority of the investments in this sector came from venture capitalists.

Country	Deal Type	Sub-Vertical	Organization Name	Deal Value (US\$000s)
Indonesia	Private Equity	eCommerce, FinTech, Internet, Marketplace, Shopping	Tokopedia	350,000
Turkey	Merger/Acquisition	Media and Entertainment (Primary)	Rollic Games Oyun Yazilim ve Pazarlama Anonim Sirketi	268,000
UAE	Merger/Acquisition	Media	Anghami	220,000
Saudi Arabia	Merger/Acquisition	Media	Rotana	200,000
Indonesia	Private Equity	Media and Entertainment (Primary)	PT Elang Mahkota Teknologi Tbk (IDX:EMTK)	150,000

New streaming platforms, production deals, and campaigns are raising the profile of OIC media

Middle Eastern media is expanding its footprint

- Arabic streaming service Shahid VIP launched in the USA, the first dedicated Arabic language streaming service launched in North America, with 25,000 hours of content.⁵²⁷
- UAE-based music streaming service Anghami got listed on New York's NASDAQ via a merger with special purpose acquisition company (SPAC) Vistas Media Acquisition Company, valued at US\$220 million. Anghami has more than 70 million registered users, with around 1 billion streams per month.⁵²⁸
- Saudi Arabia's Telfaz11 inked a deal with Netflix to produce eight new films, following the success of an earlier collaboration, signaling more partnerships to come.⁵²⁹
- UAE-based Orbit Showtime Network (OSN) rebranded

its streaming app Wavo to OSN Streaming, with content consumption growing by 900% in two months. The network is to expand original content for the streaming service from 20% to 40%. In 2020, OSN entered a partnership with Disney+.⁵³⁰

- The Abu Dhabi Investment Office partnered with regional video-on-demand service STARZPLAY, partly owned by the US Lionsgate, to establish the company's headquarters in the UAE capital. Original regional content is to be developed with local producers, including Abu Dhabi Media, twofour54 and Image Nation Abu Dhabi.⁵³¹

GCC media is attracting investment

- US Warner Music bought an undisclosed stake in Saudi Arabia's Rotana, the Middle East's largest record label,



owned by Prince Alwaleed bin Talal's Kingdom Holdings.⁵³²

- US North Base Media invested in Abu Dhabi-based Majarra, an Arabic online content generator. Majarra offers a single subscription for Harvard Business Review Arabia, MIT Technology Review Arabia, Stanford Social Innovation Review Arabia, Popular Science, Fortune, and Manhom, the largest professional profiles service in Arabic.⁵³³
- Dubai-based Rising Giants Network (RGN), an Arabic-English podcasting network, secured a US\$1 million investment deal led by Triangle Media, Barry Kirsch Productions, and angel investor Said Al Sayyed.⁵³⁴

Animated films are taking off in the OIC

- Anime film Ar-Rihlah (The Journey) was jointly produced by Saudi company Manga Productions, owned by the MiSK Foundation, and Japan's Toei Animation.⁵³⁵
- Malaysian animated franchise BoBoiBoy secured a deal with Turkish distributors to screen the films' premieres and the series.⁵³⁶

Non-Fungible Tokens are being used by OIC-based companies

- Dubai-based Behnood Javaherpour launched the UAE's first Non-Fungible Token (NFT) digital Islamic art agency to sell digital artworks from the Middle East's most talented artists through cryptocurrency at live auctions worldwide.⁵³⁷
- Dubai-based 3F Music studio acquired four NFT versions of internet memes for US\$993,000. The studio owns more than 100 NFTs, including music albums, digital artworks, and Time magazine's 1959 space exploration cover art.⁵³⁸
- Indonesia's NFT marketplace NEFTiPEDIA, which caters to digital artists, creators, and collectors, is listed on the Hotbit exchange, the third-largest cryptocurrency exchange for altcoins in the cryptocurrency market.⁵³⁹

The OIC gaming (mobile/video games) market is growing fast and attracting investors

- Turkish gaming companies are being snapped up by foreign investors, with the US Zynga buying Peak Games for US\$1.8 billion, having acquired Rolloc Games for US\$168 million in 2019. In 2020, China's Tencent bought Masomo for US\$100 million. Exports are forecast at US\$1.5 billion in 2021.⁵⁴⁰
- Dubai-based Power League Gaming, a disruptive gaming, and esports company, signed a contract with gaming hardware provider Razer to launch its Razer Invitational tournament series in the MENA. The company also invested in a 10,000-square-foot studio to host 360-degree gaming and eSports production.⁵⁴¹
- India-based Nazara Technologies Ltd, a gaming and sports media company, acquired a majority stake in Turkish mobile game publishing agency Publishme for US\$2.6 million to increase market reach internationally for freemium, gamified learning, and esports segments.⁵⁴²
- Global B2B cloud gaming company Gamestream expanded its partnership with telecom company Telkom Indonesia.⁵⁴³



COTTONBRO/PEXELS

The OIC gaming (mobile/video games) market is growing fast and attracting investors

- Indonesia's Ministry of Industry organized the Festival Bangsa Game Buatan Indonesia to help develop the country's gaming industry, with Chinese telecom giant Huawei being a key partner.⁵⁴⁴

New apps are being launched catering to Muslim lifestyles

- The world's first online platform for Muslim services, ImamConnect, was launched in London. Dubbed the 'uber for imams,' the app links users with over 70 background-checked service providers from around the globe, including life services, education, wills, and life coaching.⁵⁴⁵
- UAE-based Muzmind's mindfulness app Sakeenah crowd-funded US\$125,000 to expand the platform and add content in Malay, Arabic, Hindi, and Urdu.⁵⁴⁶
- Mindful Muslim app, which attracted 25,000 subscribers in 2020, won a US\$20,000 entrepreneurship prize at the Auckland University of Technology, New Zealand.⁵⁴⁷
- Malaysia's airasia.com launched the IKHLAS mobile app, with features including prayer times, Qibla compass, an eCommerce platform, and payments for Sadaqah, Fidyah, Zakat, Aqiqah, and Qurban.⁵⁴⁸
- Sango, an audio social app building the Muslim community online, has attracted 7 million registered users in a year, with Gulf countries leading in installs.⁵⁴⁹

Operational Developments

Muslim-themed content is growing globally, from children's cartoons to special content for Ramadan

Muslim-themed children's content is growing in popularity worldwide, with producers seeking funding to expand

- Malaysian Islamic children's cartoon Omar & Hana, produced by Digital Durian, has reached over 3 billion views on its YouTube channels in 50 countries. New channels were launched in Arabic and Urdu, as well as a new app and the development of a pre-school curriculum based on the show. Digital Durian is seeking funding to expand globally.⁵⁵⁰
- Canada's streaming platform Muslim Kids TV (MKTV), with viewership in 60 countries, launched in Indonesia and Pakistan. MKTV is seeking funding to be the "Disney of the Muslim world".⁵⁵¹

More Muslim content, especially during Ramadan, is being aired in non-OIC countries

- Barack and Michelle Obama produced a Ramadan podcast series for Spotify. Higher Ground: Tell Them, I Am show featured interviews with Muslim activists, artists, actors, performers, and athletes.⁵⁵²
- Instagram commissioned a Bahraini graphic artist Hala Al Abbasi to create three sticker designs for Ramadan.⁵⁵³
- Magazine 'Muslim Sisterhood' was launched by a collective in the UK and Canada to promote Muslim values in photography, art, and film.⁵⁵⁴
- The Swimmers, a film based on the lives of Syrian refugee sisters Yusra and Sarah Mardini, who became Olympic swimmers, is to be released by Netflix in 2022.⁵⁵⁵

New tax policies in the USA, and restrictions on ad revenues from children's content on streaming platforms, have hit growth

Content aimed at children is being better regulated

- Malaysia's Digital Durian, the production house behind hit cartoon series Omar & Hana, saw revenues on its YouTube channels drop by 70% following a legal case against Google, owner of YouTube, by the US government for allegedly violating the Children's Online Privacy Protection Act (COPPA). In 2021, a new US tax requirement deducted 30% of earnings on YouTube.⁵⁵⁶
- Instagram for Kids is being challenged in the USA, with 44 attorney-generals calling on Instagram owner Meta to drop plans to launch Instagram for under-13s, citing the detrimental impact on children's wellbeing.⁵⁵⁷

Rising concerns over censorship and data gathering on Muslims

- Popular prayer apps MuslimPro and Salaat First were accused of sharing user data via a third-party provider, X-Mode, with the US military. The apps denied the claim and have not released data on whether user numbers dropped in the wake of the report.⁵⁵⁸
- Activists, academics, and journalists have been censored on social media platforms, including Facebook, particularly involving Palestine.⁵⁵⁹

National and Trade Developments

OIC countries are backing cultural and film initiatives in the wake of COVID-19

Gulf countries launch initiatives to bolster culture and film

- The Noor Riyadh light and art festival were launched in March 2021, featuring over 60 artworks in 13 locations throughout the capital.⁵⁶⁰
- The Red Sea International Film Festival, was held in November 2021 in Jeddah, Saudi Arabia. The event promotes the expansion of the cinema and film industry following the lifting of a cinema ban in 2019. Under the theme of "Metamorphosis," the festival celebrates cinema as a force for positive change.⁵⁶¹
- The Qatar-USA 2021 Year of Culture, spearheaded by Qatar Museums (QM), hosted exhibitions, festivals, bilateral exchanges, and events in both countries.⁵⁶²

- Middle East distributor Front Row Filmed Entertainment and the Kuwait National Cinema Company partnered with Gulf arthouse venue Cinema Akil for the Beirut Disaster Relief Screenings, to raise funds following the deadly explosion at Beirut port on 4 August 2020.⁵⁶³

Egypt is trying to boost local film production

- The first Arab film festival was held during the COVID-19 pandemic, El Gouna Film Festival, aiming to reinvigorate the film industry.⁵⁶⁴
- Egypt's iProductions will build cinemas in Egypt, focusing on underserved areas to promote art and cinema.⁵⁶⁵

Saudi Arabia is investing in the US gaming market

- Saudi Arabia's Public Investment Fund (PIF) raised its stake in US-games producer Activision Blizzard, behind the Call of Duty series, to 4.9%, valued at US\$3.6 billion. In 2020, PIF invested US\$3 billion in Activision Blizzard, Electronic Arts and Take-Two Interactive Software.⁵⁶⁶

Public-private partnerships are supporting the development of the IT sector and start-ups

- The UAE partnered with Google, Microsoft, Amazon, Facebook and LinkedIn to train and attract 100,000 programmers and coders. There are plans to create 1,000 new digital firms, supported by US\$1 billion in government funding to support start-ups.⁵⁶⁷
- Tunisian start-up GOMYCODE raised US\$850,000 in pre-Series A funding to expand educational technology upskilling in Africa and the MENA region.⁵⁶⁸

Ecosystem Developments

The pandemic has driven more content online

Private and public initiatives are supporting content producers

- Jordan's subscription-based video-on-demand (SVOD) platform Istikana is to co-produce its own content, with six films in the pipeline. The platform, which focuses on hard-to-find Arabic language films and documentaries, attracted 30,000 subscribers in 2020.⁵⁶⁹
- The Arab Fund for Arts and Culture (AFAC) and Netflix launched a US\$500,000 Hardship Fund for the region's film and TV community impacted by the pandemic, eligible for all Arab nationals except Lebanese.⁵⁷⁰
- Saudi Arabia launched its National Culture Awards, honoring 32 Saudi cultural figures in 14 categories.⁵⁷¹
- The Middle Eastern Media Composer Initiative & Men-

torship Program will launch in 2022, with a six-month mentorship by LA-based composer Nima Fakhrara.⁵⁷²

Religious worship that went online during the pandemic likely to stay

- Worshippers attended online services during the pandemic and want streaming to continue. In a nationwide survey in the USA, sponsored by MuslimPro, 84% of respondents signaled they want an online worship option.⁵⁷³
- Popular Pakistani Maulana Tariq Jamal has over 13 million subscribers on his YouTube channel and has launched apps on the Google and Apple app stores.⁵⁷⁴

Social Impact Developments

Initiatives launched to change depictions of Muslims in movies and promote diversity

- Oscar-nominated British actor Riz Ahmed launched a Blueprint for Muslim Inclusion to improve depictions of Muslims in movies, including US\$25,000 fellowships and mentoring Muslim storytellers in their early careers.⁵⁷⁵
- UK Muslim Film, backed by the British Film Institute, advises on productions and provides funds to aspiring filmmakers to boost the presence of Muslims in the film industry.⁵⁷⁶
- The Oscars issued inclusion and diversity guidelines, with a five-year effort to promote diversity on and off-screen.⁵⁷⁷
- Disney Studios Content appointed its first Muslim, Marya Bangee, as vice president of Multicultural Audience Engagement.⁵⁷⁸

Diversity is being supported in Middle Eastern film

- The Cairo International Film Festival (CIFF) prioritizes

issues of gender equality. Originating at Cannes on behalf of the Swedish Film Institute, the 5050x2020 campaign was conceived in response to the overwhelming gender disparity present within the industry.⁵⁷⁹

- An Arab Women's film collective based in Tunis and Paris, Rawiyat—Sisters in Film—was established to promote more diversity in the industry.⁵⁸⁰

Apps are being used to support Islamic philanthropy

- The United Nations Children's Fund (UNICEF) launched its zakat app to raise funds, while MuslimPro, a popular Muslim religious and community app, has collaborated with the UN agency to launch its first crowdfunding effort to raise money for the Children in Yemen Appeal.⁵⁸¹
- The United Nations High Commission for Refugees (UNHCR) launched GiveZakat, an app to help users calculate and pay zakat.⁵⁸²

SIGNALS OF OPPORTUNITIES

Global streaming and on-demand services are sourcing more localized content
Platforms are diversifying content by sourcing original productions from countries that have generally been overlooked as content providers, indicating a growing interest in global stories.

Investment in gaming (mobile/video games) in the OIC is on the rise
The pandemic was a major driver for growth in the gaming industry, with the Middle East being the fastest-growing market in 2020. Foreign investors are snapping up Turkish gaming companies.

Short-form video content is disrupting the digital media landscape
Short videos have become increasingly popular during the pandemic and are set to continue as smartphone usage for media viewing increases, especially among the younger generation.

Muslim-themed content is gaining ground globally
Streaming channels are acquiring Muslim-themed content, particularly for children, while inclusivity and diversity are being promoted in Hollywood.

Non-Fungible Tokens are taking off as a way to sell digital art
Non-Fungible Tokens (NFTs), which use cryptocurrencies, have become a new medium to sell digital artwork in the GCC and Indonesia.

Strategic Considerations by Stakeholder

Overview

Muslim-themed media, and the overall media landscape in OIC countries, has attracted international attention due to the burgeoning demand for entertainment, edutainment, and quality content during the pandemic.

Streaming platforms have been snapping up more diverse programming to appeal to viewers globally, while short-form video content has become exceedingly popular in the Middle East, signaling demand for more content creation.

Mobile gaming has also attracted investment as the

number of gamers and the time spent playing increases, being a particularly hot commodity in Turkey, the Middle East, and Indonesia.

Islamic-themed children's content has surged in global popularity, but further expansion is dependent on more investment.

Moves to support digital infrastructure by certain OIC governments bodes well for nurturing the talent needed for the increased digitalization of media.

Investors

The pandemic has triggered growth in streaming platform content and gaming

OPPORTUNITIES

1

Streaming platforms and short-form video content have had significant growth due to the pandemic, with strong demand for more local and regional content.

Global platforms Netflix and Disney Plus have increased investment in non-English language content, while production companies are increasingly developing content as initiatives are launched to bolster diversity and inclusivity in the entertainment industry. Short-form video content has become one of the biggest growth areas in digital media.

Relevant Developments & Precedents

- Saudi Arabia Telfaz11 inked a deal with Netflix to produce eight new films.
- Short-form video content accounts for 15% of media viewing in the Middle East and North Africa.⁵⁸³

Potential Outcomes by 2030

- An Islamic values themed entertainment streaming service for toddlers to teens grows into a unicorn.

2

The OIC mobile games market is growing fast.

The games market in the OIC is growing fast, from Indonesia to Turkey and Egypt. The Middle Eastern market, worth US\$4.8 billion, has benefitted from the region's large youth population, with 160 million gamers, of which 100 million are mobile gamers. Turkey's gaming industry has, however, attracted more investor interest than Arabic-language content.

Relevant Developments & Precedents

- The Middle Eastern mobile gaming industry grew by 25% in 2020, accounting for 23% of the global market.
- US-based Zynga bought Turkey's Peak Games for US\$1.8 billion.

Potential Outcomes by 2030

- Multi-billion-dollar OIC gaming companies with global popularity have emerged.



“To capture the mass market, we need localized programming and dubbing. We know from analytics that people are looking for faith-based programs but cannot often find them as they are not being produced in many countries.”

Michael Milo, CEO, Muslim Kids TV

CHALLENGES

1

Global platforms and companies acquire smaller players, limiting the potential for alternative platforms to emerge.

Lacking production and marketing budgets, alternative platforms struggle to reach scalability, such as Malaysia's Nurflix, which has struggled to produce original content.

Risk

- Global platforms continue to dominate the sector, limiting the outlets for global and diversified content.

Governments

Support for digital infrastructure and data sovereignty will bolster economies and provide resilience

OPPORTUNITIES

1

Develop digital infrastructure and capacity building to support innovation and creation of local content.

Government support is needed for the digitalization of the economy through start-ups and programs to train, attract and retain talent to develop a strong eco-system to compete internationally, from entertainment to other digital arenas.

Relevant Developments & Precedents

- The UAE wants to train and attract 100,000 programmers and coders and create 1,000 new digital firms, supported by US\$1 billion in government funding.⁵⁸⁴
- The state-backed Malaysia Digital Economy Corporation (MDEC) aims to attract RM50 billion (US\$11.8 bn) in investment and create 50,000 jobs by 2025.⁵⁸⁵

Potential Outcomes by 2030

- Cutting-edge hubs for digital media content creation have been developed, with interlinkages globally with other hubs.

2

Back data protection, transparency, and data tax regimes in the digital arena.

Data gathering by Big Tech companies is undermining sovereignty and taxation in countries without strong digital laws and technology hubs. The re-sale of consumer data to third parties can undermine brand confidence. By supporting more transparent data collection and consumer protection, OIC companies will enable consumer confidence to expand, while bolstering tax revenue.

Relevant Developments & Precedents

- MuslimPro and Salaat First were accused of sharing user data via a third-party provider with the US military.⁵⁸⁶
- The USA withdrew from negotiations to introduce a new global tax regime for digital platforms.⁵⁸⁷

Potential Outcomes by 2030

- Data sovereignty, strong IT, social media and related sectors have developed.

CHALLENGES

1

Lack of OIC government support for the digital sector.

While wealthier OIC countries, particularly the UAE, Saudi Arabia, and Malaysia, are investing in digital expansion and media, many OIC countries cannot keep up.

Risk

- The digital ecosystem is underdeveloped, losing potential content creators to more advanced markets.

“Muslims are really focusing on technology. Until recently, a lot of the websites were really old and badly designed. Now the barriers to entry have been minimized, so you can get a nice website and build an app quite cheaply.”

Tabish Hasan, CEO and Co-Founder, Muslim Ad Network (part of the Ummah Media Group)

”

Businesses

Demand is growing for high-quality Muslim-themed entertainment and content.

OPPORTUNITIES

1

Established OIC media houses seek out joint ventures in Muslim-majority markets with under-developed media segments.

Demand is growing for high-quality Muslim-themed content, from children's programs to dramas, series and movies. Through joint ventures and support for state-ups, media companies producing such content can gain access to new markets and increase their global footprint.

Relevant Developments & Precedents

- Canada-based Muslim Kids TV entered the Indonesian market through partnerships with local mobile providers and mobile wallets, backed by the Canadian and Indonesian governments.⁵⁸⁸
- Malaysian Islamic children's cartoon Omar & Hana, produced by Digital Durian, launched YouTube channels in Arabic and Urdu.⁵⁸⁹

Potential Outcomes by 2030

- Muslim-themed entertainment has become a multi-billion-dollar sector with diverse programming from around the world.

2

Develop Muslim-themed pay-per-stream content to monetize and counter digital piracy.

Global streaming revenues have surged as more consumers are connected and use digital devices to play music and consume entertainment. OIC countries' music and entertainment channels have been plagued by piracy, free streaming videos, and outdated channels.

Relevant Developments & Precedents

- Hong Kong-based streaming platform Viu outpaced Netflix subscriptions in Southeast Asia, ranking second to Disney Plus.⁵⁹⁰
- Subscribers to MENA video streaming services rose 56% during the pandemic.⁵⁹¹

Potential Outcomes by 2030

- Diverse digital entertainment platforms have developed, generating significant revenues and employment.

CHALLENGES

1

Companies fail to attract investment to enter new markets and produce diversified content.

Muslim-themed entertainment companies struggle to attract investment, particularly from OIC investors, who overlook the medium and long-term opportunities to cater to 1.8 billion Muslims.

Risk

- Muslim-themed entertainment players remain fragmented and are unable to scale up in size for global viewership.

”

“If you see what the average person is consuming, whether pop culture, movies or music videos, it is not necessarily competition, but that is the target audience, so to capture their attention it needs to be at that level, if not better, even if it is religious content.”

Zeena AlKurdi, Director of Marketing, Yaqeen Institute for Islamic Research



Gen Z & Millennial Perspective

on

Islamic-Themed Media and Recreation

■ Millennial ■ Gen Z

My Views

DO YOU BELIEVE GEN ZS AND MILLENNIALS ARE THE MAIN TARGET DEMOGRAPHICS FOR ADVERTISERS AND WHY?

"That's true. In the Indonesian context, the young population is growing rapidly. Advertisers adopt the red ocean strategy to target young people, through social media such as Instagram, Twitter and their likes."

Handika
Indonesia, Millennial

"I oppose a little bit only because Facebook is still the number one used app, and the last time I checked, most of the users on Facebook are the older generation. And they've got the money. They are always looking for a gift for their nieces, nephews, grandchildren. You'll be surprised how many people in their 50s, 60s and 70s actually buy from Facebook. It is quite remarkable."

Muhammad Abdul-Aleem
USA, Millennial



@HEBAHSROLLERCOASTER



@URBANSUEISM

"Advertisers adopt the red ocean strategy to target young people, through social media such as Instagram, Twitter and their likes."

Digital Media Habits

ARE THERE ANY SPECIFIC RELIGIOUS/ CULTURAL APPS YOU ARE USING?

"A couple of years ago, I had a phase where I just downloaded every single Muslim app I could find to experience them. I'm happy I did that because most of the apps I still use are no longer available on the App Store. The newer ones are not as satisfying. For example, I used to use Muslim Pro a lot when traveling because it helped me with prayer times. But last year, after the little scandal they had, I deleted the app. But I have never found an app like that again. I feel there's a huge gap of really good Muslim apps."

Hebah Nigm
Austria, Millennial

"I use this app called ScanHalal. When I'm in the grocery stores and doubt if a certain food is halal, I just scan the label and it tells me if it's halal or not. And then, if it's not halal, they'll give you all the ingredients that are haram. And if the product is not in the system, you take a picture of the label and the ingredients, send it and they'll do the research for you. It's really cool!"

Muhammad Abdul-Aleem
USA, Millennial

"I use this app called ScanHalal. When I'm in the grocery stores and doubt if a certain food is halal, I just scan the label and it tells me if it's halal or not."



@HOOPFINESSE

"Something that immediately came to my mind, because you said recreation, would be more women-only spaces. Because at least in the United States, it's very rare."

My Suggestions

IN AN IDEAL WORLD, WHAT DO YOU WANT TO SEE MORE TO FULFILL YOUR ISLAMIC-THEMED MEDIA AND RECREATIONAL NEEDS?

"Something that immediately came to my mind, because you said recreation, would be more women-only spaces. Because at least in the United States, it's very rare. There are no women-only gyms or women-only days at water-parks. For me, I can find everything in the United States, but it's the proximity that is the issue. I'll just move someday."

Riley Logan
USA, GenZ



@ROLOGIRL

Acknowledgments

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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 Islamic finance, halal, and Islamic lifestyle sectors, with an eye on the 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.

salaamgateway.com

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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

CONTEXT

The 57 OIC (Organization of Islamic Cooperation) countries of the world represent close to 15% of global GDP (PPP). Furthermore, Muslims in total represent a 1.9 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 the 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.

The 2021-22 State of the Global Islamic Economy report presents the continued momentum of the global Islamic economy, highlighting progress during the past year, taking the pulse of its fast-growing and young demographic, related global trade flow, and, most importantly, looks to future growth challenges and opportunities.

Report Methodology

APPROACH

In addressing its purpose, the report incorporates a top-down and bottom-up approach. This includes:

1. Primary research and frameworks used to ensure a comprehensive understanding of developments, issues, and opportunities, supplemented by extensive secondary research

PRIMARY RESEARCH

Original research of halal products, lifestyle, and Islamic finance market developments was conducted by leveraging the services of on-the-ground analysts from each global region and gathering insights from 49 expert interviews (shared below).

SECONDARY RESEARCH AND PROPRIETARY FRAMEWORKS

A range of sources have been used for evaluating related sector developments, including, but not limited, to SalaamGateway.com, international news sites (over 450 stories analyzed and referenced in the report), multi-lateral agency databases (UN, World Bank, IMF), and company websites, supplemented by the extensive project-based sector knowledge developed by DinarStandard.

The report presents sector-level opportunities and challenges that also leverage DinarStandard's related consulting and ongoing sector research-based experiences.

INTERVIEWS AND FOCUS GROUP DISCUSSIONS

Halal Food	Mohamed Aaly Maghrabi , Chairman and CEO of MAM Food Company, UAE
Islamic Finance	Hussam Sultan , Regional Head of Commercial & Transactional Banking, CIMB Islamic Bank Umar Munshi , Co-Founder, Ethis Group Professor Kabir Hassan , Bangladeshi-American Economist; 2016 IsDB Prize Winner; Member, AAOIFI Ethics and Governance Board Ashar Nazim , Group CEO, Aion Digital
Travel	Muzzammil Ahussain , Executive Vice President, Consumer Travel, Seera Group Mohamed Razip Hasan , Director-General, Islamic Tourism Center, Malaysia Ihab Jabari , Director/Advisor to the Board, The Holy Land Incoming Tour Operators Association (HLITOA)
Modest Fashion	Franka Soeria , Co-Founder #Markamarie & Council of Modest Fashion Hafsa Lodi , Founder of modestish.com, Author of Modesty: A Fashion Paradox Ali Charisma , Chairman, Indonesian Fashion Chamber Mikhail Fedorenko , Founder and CEO, Muslima Wear
Halal Pharmaceuticals	Mohamed Jinna , CEO and Founder of Halal India Ali Al Sheikh Wace , General Secretariat Office, Technical Committees, SMIIC, in Istanbul, Turkey Wan Amir Jeffrey , COO Duopharma Biotech, Malaysia Rozi Osman , Halal Pharma Consultant, Malaysia
Halal Cosmetics	Muhammad Escudero Uribe , Director of Certification Department at the Instituto Halal, Spain Nour Khalife , CEO and Co-Founder of Shade M Beauty, Dubai, UAE Maurice Mattar , CEO of Feel 22, Beauty eCommerce start up, Lebanon Filipe Correia , Head of International Business at Andreia Professional, Portugal H��loise Lefebvre du Prey , Project Manager for Southeast Asia at Asia Cosmetics Lab, France
Media and Recreation	Zeena AlKurd , Director of Marketing, Yaqeen Institute for Islamic Research, USA Tabish Hasan , CEO and Co-Founder of Muslim Ad Network, part of the Ummah Media Group, USA Sinan Ismail , CEO of Digital Durian, creator of Omar & Hana, Malaysia Michael Milo , CEO, and Flordeliza Dayrit , Chief Operating Officer of Muslim Kids TV, Canada

2. Trade data analysis

The OIC imports and their exporting markets are retrieved and synthesized by DinarStandard from the ITC Trademap database, 2020. The OIC imports projections for 2021-2025 were forecasted by correlating GDP with OIC imports. The trade projections are assumed to account for the impact of COVID-19, using the latest IMF GDP growth projections released in April 2021.

Around 29 HS codes (2-digit) were analyzed. Food product codes exclude the codes identified as haram (not permissible to consume in Islam). Trade data on pharmaceuticals and cosmetics are based on codes 30 and 33 respectively. Fashion product codes include only apparel and footwear trade codes. Categorization of products for each sector is a result of DinarStandard's proprietary trade database and analysis.

3. Universe market sizing: The value of Muslim consumer spending across lifestyle sectors by country was developed by applying proprietary Muslim socio-demographic multiplier to global sector-level market sizing data.

Universe Market Sizing Methodology Overview

Key Steps in Calculation (Summary)		Key External Sources
1. Global lifestyle spend by sector (excl. Finance), US\$B		
X	Comprises: <i>(by country)</i> <ul style="list-style-type: none"> • Food & beverage • Footwear & Clothing • Pharma & Cosmetics • Media & Recreation 	National databases <ul style="list-style-type: none"> • International Comparison Programs (2017 baseline), UN World Trade Organisation, World Bank, DS Analysis and estimations
2. Muslim multiplier		
=	Based broadly on: <i>(by country)</i> <ul style="list-style-type: none"> • Muslim % of population • Relative income levels • Average family size 	Census data: DS Analysis and estimations

Overall, the Islamic economy sector estimates are based on the potential universe of opportunity and focused on its core audience of Muslim consumers globally. **This number does not represent the actual value of the global Islamic or halal-certified products economy, but more broadly, the total spend value that Muslims provide to the referenced sectors.** Islamic finance estimates are based on the ICD Refinitiv Islamic Finance Development Indicator (IFDI), with banking estimates baselined from central bank data, and assumes full regulatory support in the core Islamic finance markets (OIC countries) and 100%

Muslim demographic penetration.

Global Muslim market estimates are applied based on DinarStandard's Muslim population estimates per country, which 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 while also comparing to external estimates by national statistics agencies and global industry forecasts to triangulate historic and projected growth.

TABLE: Metrics used to calculate Muslim Spend for 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 the latest International Comparison Program values (2017), 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	2010-2019 World Bank data; UNWTO forecasts for the effects of COVID-19 on the number of arrivals to countries
Muslim spend on pharmaceutical and personal care products	Spend on pharmaceuticals and cosmetics	National statistics agencies; industry associations

CALCULATION OF NUMBER OF MUSLIM TOURIST ARRIVALS

The number of Muslim tourist arrivals was derived by calculating the proportion of Muslims within the total inbound tourist arrivals to a specific country.

The total number of tourist arrivals per country in 2019 was obtained from UNWTO. To obtain the number of inbound tourists for 2020, the 2019 value was reduced by 70%. The breakdown of the tourist arrivals based on their country of origin was obtained from WTTO and applied to

the total number of tourist arrivals. To obtain the number of Muslim tourists amongst these arrivals was derived by applying the Muslim multiplier of the tourist country of origin. The top 5 source countries were provided. For the remaining inbound tourists, a 5% Muslim proportion was applied for non-OIC destination countries, and 55% was applied for OIC destination countries.

4. Investment Research

An extensive list of investments made in the OIC and Islamic economy-specific investments outside the OIC over the period August 2020 to July 2021, covering the Food, Pharmaceuticals, Cosmetics, Islamic Finance, Media and Recreation, Apparel, and Travel sectors, was compiled based on research carried out across multiple databases including Zephyr, CapitalIQ, and Crunchbase. This research was supplemented by DinarStandard's own research and a scan of subsequent transactions identified by Salaam Gateway and other news publications from August 2020.

Investments analyzed include mergers/acquisitions, private equity, and venture capital transactions. Where the nature of investment was not clear, deal values above US\$15 million were assumed to be private equity transactions based on trends observed in previous years' data, while

those with deal values between US\$500,000 and US\$15 million were assumed to be venture capital transactions.

Financial services companies operating in both conventional and Islamic finance were also assumed to belong to the Islamic finance category.

The scope of comparison has been altered from the previous year's report to widen the net and capture all relevant sector transactions to gain a more nuanced view of investments in the broader sector.

Global Islamic Economy Indicator

METHODOLOGY

In its ninth year, the purpose of the GIEI is to benchmark the leading national ecosystems best able to support the development of Islamic economy business activity relative to their size. The GIEI is a composite weighted index that measures the overall development of the Islamic economic sectors across 81 key countries by assessing the performance of its parts in line with its broader social obligations. It comprises 52 metrics organized into five dimensions (financial, regulatory, awareness, social, innovation) for each of the seven sectors of the Islamic economy (Islamic finance,

halal food, Muslim-friendly travel, modest fashion, media/recreation, halal pharmaceuticals/cosmetics).

To enhance the indicator as it moves towards its second decade, some changes are being introduced into the methodology. In addition to those changes incorporated last year, such as expanding the countries covered and expanding the definition of the food items being exported, the indicator now includes an innovation dimension, and the weighting of each dimension and sector has been changed to better reflect the impact of the different dimensions and sectors.

INTRODUCTION

The GIEI is a global-level composite indicator with selected country and industry component-level indicators with the following objectives:

Global indicator level

- Present a 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 and investors about the industry's performance

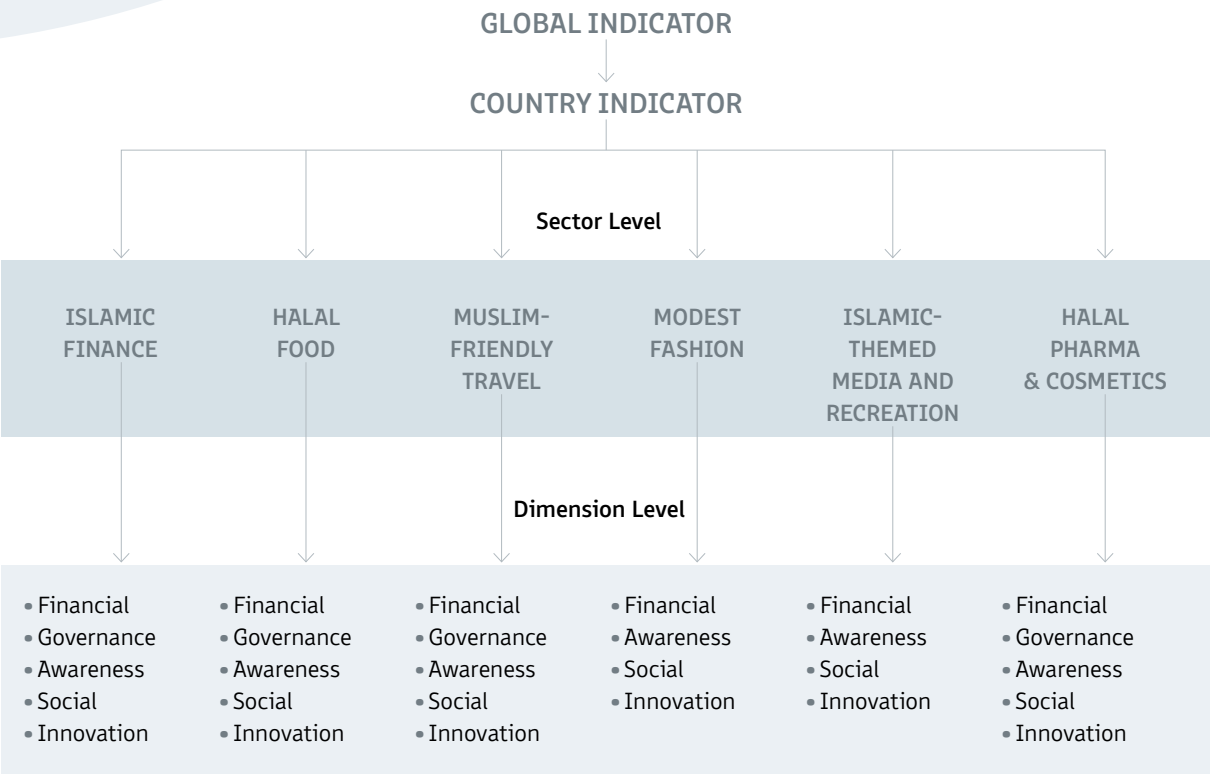
Country indicator level

- Assess the current state of the Islamic economy in each country
- Track changes over time and make comparisons between regions and countries

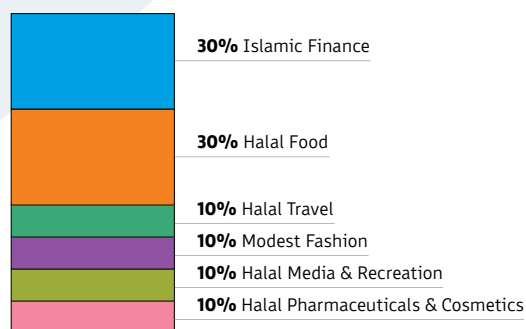
Specific sector level

- Measure the sector's health and development from various perspectives
- Enhance the sector's market transparency and efficiency

The sector indicator score is a product of numerous key sub-indicators underlining the industry. All components are fundamental to the development of the industry as a global business.



The GIEI is calculated by applying a weightage to each of the sector indicators. The weightage is fixed to give proportional importance to each sector. The weighting is as follows:



The different components that make up the indicator are selected based on an outline of the industry's key constituents as a whole and are based on critical contemporary issues, including financial, governance, awareness and social developments. All 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 include information that is publicly disclosed only. The

employment of disclosed information ensures the reliability and consistency of the results.

INDICATOR CALCULATION METHODOLOGY

The methodology for calculating the Indicator values has been developed based on the following key characteristics:

- The absolute values should be adjusted or rationalized based on the overall size of the country/economy to ensure comparability among countries
- The methodology should have minimal subjectivity and be based on a consistent formula across metrics
- The Global Indicator is based on the arithmetic mean of the individual Country Indicators
- The Country Indicators are based on the arithmetic means of their individual Indicators
- The Individual sectors are based on the arithmetic means of their Sub-indicators
- The Sub-Sectors are based on the sum of the metric values of their individual Metrics
- The Metric Value is designed to be aggregated to provide the Sub-Indicator Values

For numerical values (US\$ amounts) and numbers (e.g., number of seminars or conferences):

$$\text{Metric Value} = \frac{\text{Absolute Value}}{(\text{Scale Value} \times \text{Rationalizing Coefficient})} \times \frac{\text{Metric Weight}}{2}$$

For percentage values (e.g., return on equity):

$$\text{Metric Value} = \frac{\text{Absolute Value}}{\text{Scale Value}} \times \frac{\text{Metric Weight}}{2}$$

For yes/no values (e.g., if there are regulations for Islamic banks):

Metric Value = Metric Weight if yes, 0 if no

Scale Value is the average for all absolute values for that metric (not including zeros). This value forms the basis of our scale for that metric and will remain unchanged for future years.

This will ensure the development of the metric is not restricted to a particular range, and the first year will form

the base year against which relative growth in the metric is measured.

The **Metric Weight** is designed to ensure that particular sub-indicators metrics are weighted to ensure that all sub-indicators are comparable, regardless of the number of metrics used to derive each.

The Metric Weight is calculated as follows:

$$\text{Metric Weight} = \frac{100}{\text{Total metrics within the Sub-indicator}}$$

The **Rationalizing Coefficient** is specific to each country and is designed to adjust the scale based on the size of the country. This is designed to ensure the comparability of the indicator values across countries.

We have designed the Rationalizing Coefficient for

comparing the relevant country size based on their GDP and population. These are compared to the median value for all countries so as not to be skewed by extreme values at both ends of the scale.

$$\text{Rationalizing Coefficient} = 1 + \frac{\text{Average} \left(\frac{\text{GDP-Median GDP}}{\text{Median GDP}}, \frac{\text{Population-Median Population}}{\text{Median Population}} \right)}{4}$$

UNIVERSE

All OIC countries are included along with non-OIC countries that have a strong halal industry presence. A total of

81 countries are included. **Countries in bold have been added for the first time this year:**

GCC (Gulf Corporation Council)

- Bahrain
- Kuwait
- Oman
- Qatar
- Saudi Arabia
- United Arab Emirates

Southeast Asia

- Brunei Darussalam
- Indonesia
- Malaysia
- Singapore
- Thailand

South Asia

- Afghanistan
- Turkmenistan
- Bangladesh
- India
- Maldives
- Pakistan
- Sri Lanka

Europe

- Albania
- France
- Germany
- Italy
- Turkey
- United Kingdom
- **Belgium**
- **Netherlands**
- **Bosnia and Herzegovina**
- **Spain**
- Russia

Other MENA (Middle East & North Africa, Excluding GCC)

- Algeria
- Egypt
- Iran
- Iraq
- Jordan
- Lebanon
- Libya
- Mauritania

- Morocco
- Palestine
- Sudan
- Syria
- Tunisia
- Yemen

Sub-Saharan Africa

- Benin
- Burkina Faso
- Cameroon
- Chad
- Comoros
- Djibouti
- Gabon
- Gambia
- Guinea
- Guinea-Bissau
- Ivory Coast
- Kenya
- Mali
- Mauritania
- Mozambique
- Niger

- Nigeria
- Senegal
- Sierra Leone
- Somalia
- South Africa
- Togo
- Uganda

Others

- Australia
- Azerbaijan
- China
- Guyana
- Kazakhstan
- Kyrgyzstan
- Suriname
- Tajikistan
- United States
- Uzbekistan
- Canada
- **Philippines**
- **Japan**
- **South Korea**
- **Taiwan**

SPECIAL FEATURES

Leaders Roundtable

CEOs and senior management of companies focused on one of the halal sectors were invited to share their views on the current economic conditions and their outlooks on the future through an online questionnaire. Select quotes were featured in the report.

Gen Z and Millennials Focus Group

DinarStandard held an online focus group discussion with 7 Gen Z and Millennial micro-influencers to discuss their views and preferences around the halal economy sectors.

Endnotes

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