

SESSION BRIEFING

THE EVOLVING GLOBAL ECONOMIC LANDSCAPE AND THE IMPACT OF THE ISLAMIC ECONOMY

25th – 26th November, 2013 | Madinat Jumeirah, Dubai, UAE
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Muslims around the world are composed of many different cultures, languages, and levels of affluence; yet, they are unified by a common belief system and Islamic guidelines embedded in various aspects of daily life. There are a few recent trends characterizing Muslim population worldwide, such as a young and rapidly growing population with increasing spending power. In addition, Muslims are expected to exhibit a wider geographic presence and are increasingly seeking out halal products that comply with Shariah law. This has prompted the emergence of halal or Islamic subsectors over the last decades with increasingly more segments on the rise.

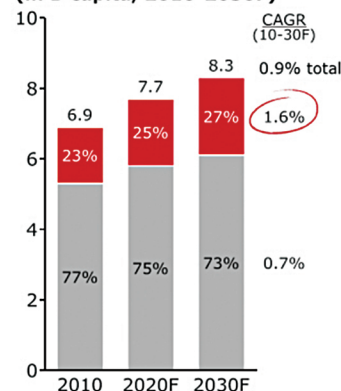
ACCELERATING DEMOGRAPHICS: YOUNG AND FAST GROWING POPULATIONS

Today, 1.62 billion Muslims comprise more than one fifth of the world's population. By 2030, this number is expected to reach 2.2 Billion, or 27% of expected total global population. This rate of growth of Muslim population is expected to be 1.6%, more than double of the rate of growth of the non-Muslim population of 0.7%, over the same period.

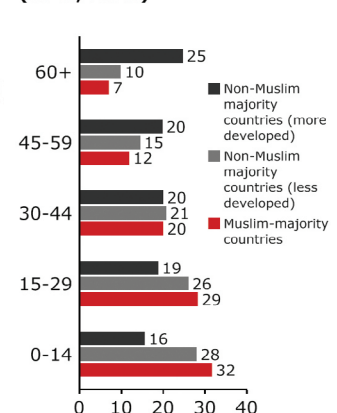
In addition, the population in Muslim countries is relatively younger than the rest of the world. For example, around 32% of people in Muslim-majority countries are below 15 years of age, compared to 16% and 28% in more developed non Muslim-majority countries and less developed ones, respectively.

The faster rate of growth, and younger demographics, are attributed to a generally higher fertility rate, and to the more recent improvements in health and economic conditions, as well as a rising life expectancy in predominantly-Muslim countries. For example, life expectancy at birth of Indonesia rose from 67 years in 2000 to 70 years in 2011, a rate of 0.4% annually compared with 0.2% and 0.3% for the United States and Switzerland, respectively.

Share of Muslims in world population (in B capita, 2010-2030F)



Population by age group (in %, 2010)



DIVERSIFYING POPULATION WITH EXPANDING GEOGRAPHIC PRESENCE

Today, 70% of Muslims are concentrated in 12 countries. The top 3 in terms of size are Indonesia, Pakistan, and Bangladesh. While this is not expected to change much in the foreseeable future, many other countries are witnessing an increase in their Muslim populations.

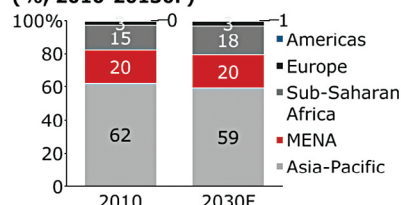
By 2010, 49 countries had a Muslim majority with one more country, Nigeria, expected to join these ranks by 2013. In terms of minorities, countries like India and China have over 175 million Muslims (near 14% of the population), and 71 other countries will have more than 1 million Muslims and

by 2030. 8 additional countries will be added to the list, including Argentina, Belgium, Canada, Congo and Togo.

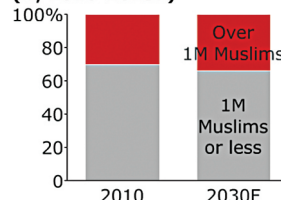
This significant presence of Muslims in several predominately non-Muslim countries is expected to increase. In Europe, the number of Muslims is forecasted to rise, while the overall population remains more or less flat; hence, increasing the Muslim population share from 6% to 8%.

The significance of this trend is not only the clear increase in absolute numbers and relative percentages, but also the geographic spread across 5 continents.

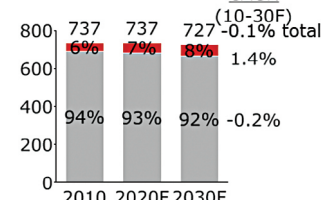
Distribution of Muslim population by region (% , 2010-20130F)



Breakdown of countries by number of Muslims (#, 2010-2013F)



Share of Muslims in Europe (in M capita, 2010-2030F)



GROWING ECONOMIES WITH INCREASING CONSUMER POWER

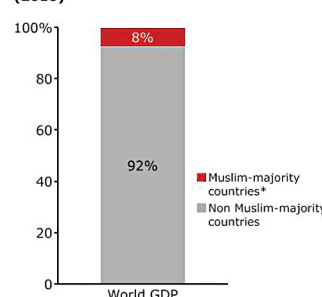
Today, countries with a Muslim majority contribute around 8% to the world's GDP. More importantly, the ten countries with the largest Muslim populations have historic growth rates of 13%, significantly higher than the global growth rate of 7%.

Around 53% of the population in the "Next 11" countries, which Goldman Sachs considers promising for investment and future growth, are Muslim. This is clearly attracting economic interests, and many global firms are starting to develop N-11 strategies, the same way as they have a BRICs strategy.

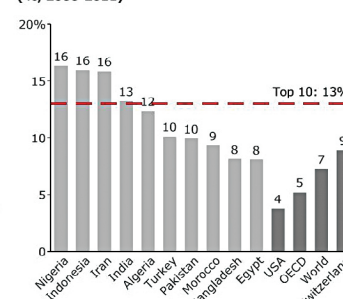
These growth rates are also fueling consumption. Muslim consumers are becoming increasingly wealthy, and more Muslims are moving into the middle class. For instance, Indonesia, the country with the largest number of Muslims, saw roughly 50 million people enter the middle income bracket between 2003 and 2010 (the bracket is defined by the World Bank as those who spend USD 2-5 a day).

In 2012, the top 3 countries with the largest Muslim populations (Indonesia, Pakistan and India) constituted around 3.6% of the world's GDP. This number is expected to rise to 4.2% by 2017. In addition, their GDP growth is forecasted to be at an annual rate between 4% and 6% between 2012 and 2030. In comparison, the United States, Germany and the United Kingdom are expecting annual growth of around 2% each.

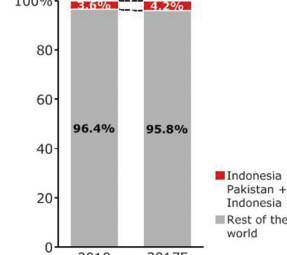
World GDP (2010)



Compound annual growth rate (% , 2000-2011)



GDP of top 3 Muslim countries as % of world GDP (Real GDP 2005 prices, in B USD, 2012-2017F)



Compound annual growth rate (% , based on real GDP, 2012-2030F)

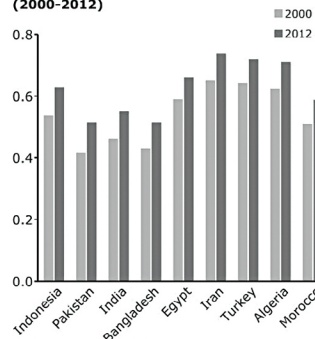


CHANGING COUNTRIES, STRENGTHENING DOMESTICALLY AND GLOBALLY

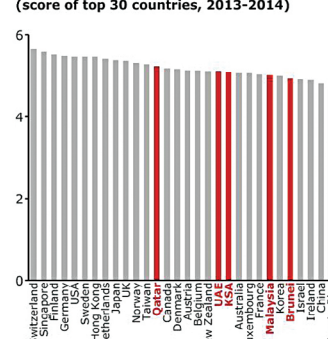
Large Muslim countries have seen positive development across a number of dimensions over the last decade. The UNDP Human Development index, which measures achievements in 3 basic dimensions of human development, shows an upward trend for all of the countries with the largest number of Muslims since the year 2000. These improvements in development status are also reflected in similar increases in FDI inflows, competitiveness rankings (with 5 Muslim countries ranking among the top 30 globally), and internal reforms for doing business (as ranked by the World Bank).

This is also linked to their rise in political and economic influence globally. In 2012 Oxford Analytica (a global geopolitical analysis firm) introduced the term “Pivotal Powers”, countries which will “prove key axes of global political and economic power during the next decade”. Five of the six countries (Nigeria, Egypt, Iran, Turkey, and Indonesia) are predominantly Muslim countries. Based on the countries’ regional influence, political aspirations and culture, these “Pivotal Powers” represent important centers of economic growth and regional development.

UNDP Human Development Index (2000-2012)



WEF competitiveness index 2013-2014 (score of top 30 countries, 2013-2014)



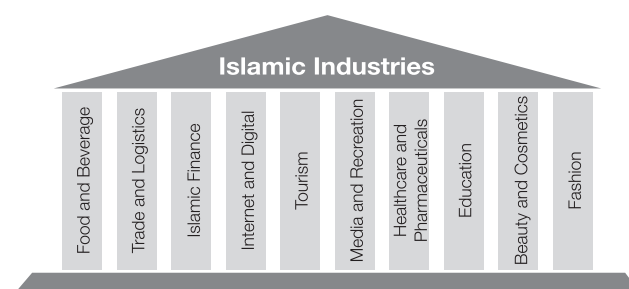
RELIGION PLAYING AN INCREASINGLY IMPORTANT ROLE IN DAILY LIFE

Muslims around the world exhibit noticeable differences in language, affluence, culture, education, competitiveness, and even degrees of religiosity. Nonetheless, there are some common traits among them including common basic faith and beliefs, similar focus on halal dietary requirements (and increasingly consumer products in general), Muslim values, identity, and shared calendar (including Ramadan and religious feasts), and a strong sense of community and welfare.

Muslim consumers are increasingly demanding products that comply with Islam’s guidelines and consistent with Sharia laws. Halal food and finance are two areas that are deeply rooted in Muslim law. Hence, it was not surprising that halal food and beverage as well as Islamic finance were the pioneers in the wave of Islamic subsectors and the more established sectors to date. In 2012 there were around USD 1.4T Islamic finance assets in the world. In the wake of globalization and the growing Muslim population, the world is seeing even more nascent lifestyle-related Islamic sectors emerge, such as halal tourism. Muslim tourists are estimated to spend USD 137B, which is driving tourism players to address this large and growing consumer segment. This rising trend is now also being witnessed, at

varying degrees in many other sectors and industries like cosmetics, pharma, education, fashion and media.

Muslim consumers, also known as ‘the third billion’, are increasingly gaining global attention. They are expected to form around 27% of the global population by 2030 with a more diverse geographic presence and higher spending power, while increasingly demanding Shariah-compliant products. Islamic finance and halal food are two examples of halal sectors that have grown to be two of the most established Islamic sectors today. Broadening the comprehensiveness of halal products will cater to the needs of this fast growing population and presents lucrative commercial opportunities for businesses leaders and governments.



This work was prepared by Thomson Reuters with the contribution of Dr. Yasar Jarrar, Dr. Saeeda Jaffar, and Basma Abdel Motaal of Bain & Company Middle East. Dr. Yasar Jarrar is a Partner at Bain & Company Middle East, where he leads the firm’s Public Sector practice in the Middle East. Dr. Saeeda Jaffar is a Principal at Bain & Company Middle East and is affiliated with the Middle East Financial Services practice.