

**By : DATO' SRI MOHD NAJIB BIN TUN HAJI ABDUL RAZAK
PERDANA MENTERI MALAYSIA**

Venue : Mandarin Oriental, Kuala Lumpur

Date : 09/06/2014

Title : INVEST MALAYSIA 2014

Bismillahirrahmanirrahim.

Assalamualaikum Warahmatullahi Wabarakatuh.

A very good morning and Salam 1 Malaysia.

Yang Berhormat Ministers and Deputy Ministers,

Yang Amat Berbahagia Tun Mohamed Dzaidin Hj Abdullah;

Chairman Bursa Malaysia,

Yang Berbahagia Datuk Ranjit Ajit Singh;

Chairman Securities Commission,

Yang Berbahagia Tan Sri Dato Md Nor Yusof;

Chairman CIMB Group,

Yang Berbahagia Dato Tajuddin Atan;

CEO Bursa Malaysia,

Yang Berbahagia Dato Sri Nazir Tun Abdul Razak;

CEO CIMB Group,

Distinguished guest,

Ladies and gentlemen,

1. It is my pleasure to join you today for the 2014 Invest Malaysia conference.

2. Every year, this event attracts some of the biggest players – and the best minds – in the capital markets.
3. And 2014 is no different. With 58 companies involved, this year's Invest Malaysia – the tenth – is set to be the most productive yet.
4. I know there's one session in particular we're all looking forward to. A session which tackles an issue that affects everyone. A session which even the busiest portfolio manager has cleared their schedule for.
5. And no – it's not Idris Jala's speech.
6. It's the last session today, which is devoted to an urgent question: 'who will win the World Cup'? Abbas Saad, John Barnes and Frank Lebouef will join us to share their predictions – and although I can't be there, I've asked them for a special Prime Ministerial briefing session.

Ladies and gentlemen,

7. You're here because you know that Malaysia offers significant opportunities – as an investment destination of its own, and as a gateway to ASEAN.
8. Our economy is developing fast – with strong growth, phased liberalisation, and greater connectivity. We are on track to reach our

national economic ambition: to become a high-income nation by 2020, one of the few countries to cross the threshold this century.

9. And you will play an invaluable part in that story.

10. Under the Economic Transformation Programme, which guides our economic development, we aim to attract 1.23 trillion ringgit in private investment by the end of the decade. Foreign capital will continue to build the businesses, infrastructure and confidence on which Malaysia's economic success depends.

11. In the four years since the programme began, we've seen some headline achievements – from soaring gross national income to huge increases in competitiveness.

12. Today, I want to give you a sense of Malaysia's economic progress – of how far we've come, and what opportunities are on offer in Malaysia today. But I also want to share some thoughts about where we're going.

13. As we head towards high-income status, I believe we must act now to build a more sustainable economy: with greater opportunity for our young people, a more accessible financial sector, and a clear balance between macro achievements and individual success. We must create growth that is lasting; and an open, inclusive economy. An economy where national development and individual ambitions unite behind common goals.

Ladies and gentlemen,

14. Such an economy must rest, of course, on strong foundations.
15. Since the Asian financial crisis, we have been focused on the fundamentals: creating a strong and stable financial architecture, opening our economy to foreign investment, and directing resources and policies towards key economic priorities. And the results speak for themselves.
16. Last year, GDP grew by 4.7 percent. In the first quarter of this year, it was 6.2 percent, exceeding expectations. From 2009 to 2013, GNI per capita grew an impressive 42.5 percent, reaching 10,060 dollars ; and the overall poverty rate dropped to 1.7 percent in 2012, down from 3.8 percent in 2009.
17. Our economy is also diversifying: in 2008, oil and gas accounted for 39.7 percent of total revenue, but this year it is forecast to be 28.9 percent. Services now account for 55.2 percent of GDP, well on the way to our target of 65 percent by 2020. Inflation is projected to be between 3 and 4 percent, and we are essentially at full employment.
18. Thanks to healthy labour market conditions and sustained income growth, private consumption grew 7.6 percent in 2013, compared with 6.9 percent in 2010. It now accounts for 51.2 percent of GDP, well on course to achieve around 60 percent of GDP by 2020.
19. Private investment has also surged, growing 15.3 percent between 2010 and 2013 – more than triple the compounded annual growth rate compared to the previous three-year period. Total private investment last

year reached 161.1 billion ringgit – surpassing our target for the year by some 8.6 percent, and almost double the 86.7 billion ringgit invested in 2010.

20. This investment has been put to productive use, helping to create jobs and grow stronger businesses. Malaysian companies' market capitalisation has grown by 184 percent since 2009. Back then, there were 194 publicly listed companies with income over 500 million ringgit. Today, there are 274. And sectors in the National Key Economic Areas have created a total of 1.3 million additional high value jobs in the past three years.

21. Alongside our efforts to build a strong economic base, we have also introduced a series of policies to make it easier – and more attractive – to live, invest and do business here in Malaysia. These, too, are paying off.

22. Malaysia was ranked 6th in the latest 'Ease of Doing Business' report by the World Bank, up fifteen places from 2009. We are now 12th out of 60 countries in the IMD's World Competitiveness Yearbook – ahead of the UK, Australia, Japan and Korea; and 3rd in Bloomberg's list of the 22 best emerging markets. We are also a safe haven for investment: according to the World Bank, Malaysia's investor protection regime is ranked fourth in the world.

23. Our capital market, now worth approximately 280 percent of GDP, is one of the best performers in the region. Our bond market has grown to become the third-largest in Asia relative to GDP, and we have the largest sukuk market in the world.

24. All in, Malaysia's outstanding private debt securities have grown more than a hundredfold since 1989. The capital market's breadth and depth allow it to provide significant corporate financing, with 240 billion ringgit raised through IPOs, bonds and sukuk over the last two years. That is a testament to the foresight and professionalism of the Securities Commission, which has played such a key role in building Malaysia's modern markets.

Ladies and gentlemen,

25. From macroeconomic indicators to international surveys, Malaysia's economy is clearly on the move. Asia's economic future is happening right here, right now. We are a fast growing nation in a fast growing region, and our eyes are set firmly on the prize: high-income, developed nation status.

26. But as we chase the headline growth figures, we must never forget that it is not just whether we develop that matters, but how we develop. For long-term success, the quality of growth is as important as the quantity.

27. History has shown us what can happen when a nation's growth outstrips its deeper development; or when a single sector dominates an economy at the expense of others. The curse of natural resources, for example, has compromised many a country; hollowing out economies, weakening the rule of law, and warping the investment landscape.

28. True success needs strong institutions and norms; a diverse and balanced economy; a healthy and stable financial sector; and reserves of educated and innovative human capital. It also needs the consent and buy-

in of the people, so that they feel they are part of their nation's success story, not a footnote in a plutocracy.

29. I want to see Malaysia emerge not just with a high-income economy, but a high-quality economy. That means building a stable and inclusive financial system, encouraging innovation, and tackling corruption. To that end, we have introduced policies and reforms to ensure our growth is not just strong, but sustainable.

30. We know that market forces can promote sustainable business models. That is why last year I launched a new Environmental, Social and Governance Index for companies listed in Malaysia – only the second of its kind in Asia. The index, which will be provided by the FTSE of London, will benchmark the transparency of our leading corporations, and make the results widely available.

31. Meaningful and comprehensive disclosures such as this will enable investors, customers and policymakers to distinguish the wheat from the chaff: to find firms that are sustainable not just from an environmental perspective but also in terms of their contribution to social capital –be it financial inclusion, equitable access to opportunity or macro-stability. It will also help address both the perception and the reality of corruption.

32. Sustainability is also about strengthening the government's financial position. Over the past year, I have refocused our efforts to improve Malaysia's fiscal situation: rationalising blanket subsidies so that government support reaches those who need it most; reducing spending; remaining within our self-imposed debt ceiling; reducing the budget deficit faster than expected; and broadening the tax base with the forthcoming introduction of a Goods and Services Tax.

33. To ensure Malaysia's economic development lasts for the long-term, we have put a high premium on innovation. We have established special funds to help entrepreneurs start and grow their business, to encourage technology use, and to promote exports. We also provide tax incentives as well as capacity building and mentoring programmes, so that the bright sparks of innovation are encouraged and sustained.

34. Two months ago, we launched Malaysian Global Innovation and Creative Centre: a one-stop shop for entrepreneurs. The Centre provides support for everything from venture capital to intellectual property registration.

35. Alongside action on transparency, sustainability and innovation, we are also looking to make our financial markets more inclusive and more accessible.

36. Being able to access financial markets will empower Malaysians, particularly young Malaysians, and help build a more informed culture of investment. On this front, I commend Bursa Malaysia and its investment and brokerage partners on the launch of 'Bursa Marketplace' last month. The Marketplace is a new online investment platform aimed at bringing younger participants into the market.

37. We seek to broaden the risk spectrum for corporate bonds. Market-based financing avenues must be accessible to smaller, more innovative ventures – the enterprises that can grow into the corporate titans of the future.

38. For such businesses to tap into the capital market, there must be a critical mass of investors willing and able to invest in this asset class. Secondary market liquidity and credit risk assessment capacity are vital for building investor risk appetite. Although it is heartening to see our institutional investors expanding into a much broader range of asset classes, we want even greater participation.

39. So to build that capacity – and to further promote investment in a broader spectrum of assets – I am pleased to announce the following liberalisation measures:

40. First, the mandatory requirement for credit ratings will be removed, effective 1st January 2017. This will broaden the corporate bond market, and enable investors to further diversify their portfolios.

41. A gradual approach is being adopted to provide industry players sufficient time to further refine mechanisms necessary to operate under the new regime. From 1st January 2015, flexibilities will be accorded with regards to credit ratings and the tradability of unrated bonds and sukuk.

42. Secondly, the equity shareholding for credit rating agencies will be liberalised, and international credit rating agencies with full foreign ownership will be allowed in the Malaysian market from 1st January 2017.

43. The entry of international agencies will further enhance the quality and standard of rating services, introduce a more competitive fee structure, and widen both expertise and the range of credit rating services on offer. Ultimately, this liberalisation will enable the Malaysian bond market to become a more cost-effective and attractive long-term financing platform.

44. Malaysia's financing capabilities are underpinned by the market's ability to mobilise latent domestic savings. Unit trust funds have played a critical role in this respect. As a result, Malaysia's unit trust industry witnessed double-digit growth over the past decade, emerging as the largest in ASEAN, with net asset value of 344 billion ringgit, equivalent to almost a fifth of stock market capitalisation.

45. Last year, in recognition of the significant opportunities for further growth in the region, the Securities Commission Malaysia, together with the Monetary Authority of Singapore and the Securities and Exchange Commission of Thailand, signed the memoranda of understanding to enable fund managers from these three jurisdictions to offer collective investment schemes to retail investors within the signatory countries. This measure aims to facilitate greater cross-border offerings of investment funds, and bring the region yet another step closer to an ASEAN passporting regime.

46. In the spirit of the ASEAN Economic Community, and to further encourage growth and competition within the unit trust industry, I am pleased to announce today that the equity shareholding for unit trust management companies will also be liberalised.

47. With immediate effect, foreign corporations will be allowed to own 100 percent of shares in unit trust management companies, and there will be no barrier to entry for new foreign unit trust management companies coming into Malaysia. We believe this measure will make a wider range of competitive products available to investors, and increase competition in the sector.

48. Furthermore, the Securities Commission, together with professional bodies and other stakeholders, is exploring avenues to enhance the quality of information available to the capital market. One of the options being considered is the eventual introduction of integrated reporting, an approach that has already been adopted by several jurisdictions and multinational corporations.
49. Through these measures, we aim to further strengthen the Malaysian capital market, so it may act as the catalyst for sustainable, long-term growth – not just domestically, but also within our region.
50. Our financial markets can and will help drive regional integration. As the ASEAN Economic Community draws closer, and as Malaysia prepares to chair ASEAN next year, harmonisation of financial standards will become even more important. In this context, we welcome collaborations – such as the new series of ASEAN Indices which are available today, and were drawn up by a group of seven regional exchanges – which will help us lay the foundations for greater regional growth.

Ladies and gentlemen,

51. Alongside policies to make our financial markets more accessible, we must also ensure that the economy as a whole is inclusive. That means acting to curb inequality; pursuing growth that supports wages as well as profits; and acknowledging the importance of providing opportunity for our young people.
52. Rising levels of inequality pose a problem for countries around the world, but Asia – which is growing fast during a period of globalisation and

technological change – is especially exposed. 80 percent of Asians live in areas where income inequality is rising, not falling.

53. This can have serious effects on health, education and life outcomes. It can also drive political instability – when GDP rises faster than living standards, people can feel shut out of their nation’s macroeconomic success.

54. For Asia to truly prosper, we must give our citizens greater equity, and greater equality: investing more in education and health, strengthening social safety nets, and deploying targeted subsidies. We must show them that economic growth need not happen at the expense of wellbeing, but can have a clear and positive impact on individual prospects; that economic development can drive down poverty and drive up living standards; and that our economic future can be both affirmative and inclusive.

55. That means designing policies that support those in need, and ensuring no group is excluded from economic success. It means tackling regional inequality, by working to close the rural-urban divide. And it means encouraging corporations to support the labour force with flexibility, training, support – and remuneration that reflects corporate earnings.

56. In Malaysia, wages as a percentage of GDP are 32.9 percent; this is considerably lower than the developed world, where the figure is closer to 40 percent. Wages and productivity can increase in parallel. To develop a workforce sustainably – to attract and retain new talent – the private sector should continue to improve its offer to the labour on which its success depends. As our workforce grows, the government will continue to track GNI as a key measure of success.

57. This will be particularly important when younger generations assume a greater economic significance – as they are in Malaysia. 60 percent of world’s youth live in Asia; here in Malaysia, nearly half the population are young people. I met some of our young business leaders earlier this morning; and I was reminded not just of the energy and vitality of our youth, but also of the different perspective they bring. Young people today see a much more open, more connected, more complicated world; and they are hungry to make the best of it.
58. Aside from a few disruptive industries, and a few precocious superstars, the upper echelons of politics and business are often confined to people of my generation. We bring wisdom and experience, yes; but we do not always imagine the trajectories these young people’s lives and careers will take. We can and should do more to ensure their views are not just listened to, but accounted for in policymaking.
59. We must also keep the wider public engaged with our economic strategy, by showing them that development belongs to all Malaysians.
60. Managing the cost of living, and keeping inflation low, is one of our key economic targets. But beneath the headline figures, we must also acknowledge that the public’s understanding of development is shaped by many non-economic factors. Their day to day experiences, their concerns – things like traffic, crime, or pollution – are far more important to them than GNI or GDP statistics. So whilst improving the quality of growth, we must also focus on improving the quality of life: the measure of public happiness that allows people to feel pride and ownership of their nation’s success.

Ladies and gentlemen,

61. Around the world, we are seeing a growing trend towards integration; with rising cross-border trade, new technology-driven global sectors, and increasing economic co-operation between nations and regions.
62. Like the rest of Asia, Malaysia's future success will be determined by the way we respond to this trend. I believe we must stick to the principles which have governed our economy since global traders descended on Melaka six centuries ago. We must make good our geographic, social and historical advantages, and pursue an open and flexible economic policy.
63. Our liberalisation programmes are designed to prepare our industries to compete in a new, more closely connected global economy. We are pursuing bilateral and multilateral trade agreements, negotiating hard to secure the best benefits for our people and our businesses. And we are working with our allies to shaping the economic destiny of our region.
64. This approach, and these policies, bring benefits for you: the investors and businesspeople who will drive our national development forwards. But the real benefit is for the people of Malaysia. As we stand on the brink of high-income status, they stand ready to reap the rewards of a sustainable, open, and developed economy.

Thank you very much.

Wabbihtaufiq Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.

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58. Aside from a few disruptive industries, and a few precocious superstars, the upper echelons of politics and business are often confined to people of my generation. We bring wisdom and experience, yes; but we do not always imagine the trajectories these young people’s lives and careers will take. We can and should do more to ensure their views are not just listened to, but accounted for in policymaking.
59. We must also keep the wider public engaged with our economic strategy, by showing them that development belongs to all Malaysians.
60. Managing the cost of living, and keeping inflation low, is one of our key economic targets. But beneath the headline figures, we must also acknowledge that the public’s understanding of development is shaped by many non-economic factors. Their day to day experiences, their concerns – things like traffic, crime, or pollution – are far more important to them than GNI or GDP statistics. So whilst improving the quality of growth, we must also focus on improving the quality of life: the measure of public happiness that allows people to feel pride and ownership of their nation’s success.

Ladies and gentlemen,

61. Around the world, we are seeing a growing trend towards integration; with rising cross-border trade, new technology-driven global sectors, and increasing economic co-operation between nations and regions.

62. Like the rest of Asia, Malaysia's future success will be determined by the way we respond to this trend. I believe we must stick to the principles which have governed our economy since global traders descended on Melaka six centuries ago. We must make good our geographic, social and historical advantages, and pursue an open and flexible economic policy.

63. Our liberalisation programmes are designed to prepare our industries to compete in a new, more closely connected global economy. We are pursuing bilateral and multilateral trade agreements, negotiating hard to secure the best benefits for our people and our businesses. And we are working with our allies to shaping the economic destiny of our region.

64. This approach, and these policies, bring benefits for you: the investors and businesspeople who will drive our national development forwards. But the real benefit is for the people of Malaysia. As we stand on the brink of high-income status, they stand ready to reap the rewards of a sustainable, open, and developed economy.

Thank you very much.

Wabbilhitaufiq Walhidayah Wassalamualaikum Warahmatullahi Wabarakatuh.