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MALAYSIA

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Bismillahirrahmanirrahim

Assalamualaikum Warahmatullahi Wabarakatuh

A very good morning and Salam 1 Malaysia

**Yang Berbahagia Tan Sri Amirsham Abdul Aziz;**

Chairman Bursa Malaysia,

**Ministers,**

**Distinguished guests,**

**Ladies and gentlemen,**

1. It is my pleasure to welcome you today to Invest Malaysia 2015. This is our eleventh year, and I am glad to see so many thought leaders, key capital market players, and top executives gathered here for an annual two day conference that has grown into one the most important showcases of what we have achieved here in Malaysia - and of all the many opportunities that Malaysia has to offer, both as an investment destination of its own, and as the gateway to ASEAN.

Ladies and gentlemen,

2. We are confident in the course we are pursuing, and I am sure you will be too after I outline a brief overview of the current state of our economy. Between 2009 and 2014, Gross National Income grew by 47.7 percent. Foreign direct investment has reached record highs. When we meet our target for 2015, we will have reduced the fiscal deficit for a record six years in a row.
3. Around the world, these have been unsettling and difficult times for many economies. I am pleased to say that, thanks to the stability of our institutions and the diversification of our economic structure, Malaysia has remained on track.
4. We recorded very strong growth of 6 percent in 2014. Both the IMF and the World Bank have revised downwards their global economic growth estimates for 2015, to 3.5 percent and 3.0 percent, respectively. However, we expect to see Malaysia grow by between 4.5 percent and 5.5 percent in 2015. And over the next four years, the OECD predicts our country will enjoy annual growth of 5.6 percent.
5. Our economic fundamentals are strong. We are on track to achieve our goal of reaching high income nation status by 2020. However, we must not only maintain our momentum but build on it. This is why the reforms we have enacted under the Economic Transformation Programme are vital. These include:
  6. Establishing the Fiscal Policy Committee to reduce waste, to prevent misuse of funds and to optimise our operating expenditure. We have taken firm measures to control inflation, and we have seen the results. Food inflation, for instance, has dropped from 3.9 percent a year ago to 2.8 percent last month. There have been major reforms in the energy sector. Subsidies have been removed, with prices of petrol and diesel now being fixed by a managed float system, allowing more public resources to be spent on development and infrastructure projects for all.
  7. And most recently, we oversaw the introduction of the Goods and Services Tax, or GST. This is a key part of the biggest series of tax reforms in the history of our country, the aim of which is to make the taxation system more effective,

transparent and business friendly. GST in Malaysia has gone through rigorous and detailed study.

8. With its implementation, the Ministry of Finance has made its calculation and anticipates that GDP will increase by 0.3 percent and exports by 0.5 percent. Our products will be extra competitive in the international market, as no GST will be applied on exported goods and services, while Malaysian firms will benefit from a lower cost of doing business by recovering any input taxes.
9. Those facts alone may be enough to convince you that Malaysia is among the very best emerging market opportunities today. But now let me share the opinions of others.
10. Bloomberg has rated Malaysia as the world's 5th most promising emerging market in 2015 and the only ASEAN country in its top 10. That is very gratifying and supports the hard work that we have been doing, especially when you realize that our population of almost 30 million industrious people now sits alongside China in Bloomberg's top five.
11. The IMF and the World Bank have both recently issued reports showing Malaysia near the top of their rankings for competitiveness and ease of doing business. We are ranked alongside Asia's developed markets, such as Japan, Hong Kong and Singapore, by the Asian Corporate Governance Association.

And according to the World Economic Forum Global Competitiveness Report, Malaysia comes:

- 1st for Financial Market legal rights
- 4th for Financial Market Development, and
- 8th for ease of financing through the equity market

12. Michael Hershman, the co-Founder of Transparency International, recently visited and praised Malaysia as “a friendly country to do business in.” As well he might. The 2015 Index of Economic Freedom, a joint venture between the Heritage Foundation and the Wall Street Journal, recently ranked Malaysia as the 31st freest economy out of 178 countries.

13. Countries that score highly are more likely to be associated with a range of positive outcomes, including economic growth and per capita income, cleaner environments, good education and healthcare, human development and poverty elimination. And our ranking places us well above many titans and long developed countries. We are over 40 places higher than France and Italy, for example - the sixth and ninth largest economies in the world.

Ladies and gentlemen,

14. There has been some talk lately in Malaysia about how it can be lonely telling the truth. Well, I can tell you that I don't feel lonely standing here in front you all today! And when so many respected international bodies, individuals and institutions have confirmed their belief in Malaysia's success, and have honoured us by rating us so highly, I don't feel lonely at all - in fact, I feel in very good company! And I am equally confident that, given the well-known stability and growth of Malaysia under this government, I will be able to look forward to the pleasure of your company both next year and for years to come.

Ladies and gentlemen,

15. Bursa Malaysia has played an important part in these successes, and we thank you and your co-sponsor, CIMB, for hosting this conference.

16. Malaysia's capital market has witnessed strong growth and currently stands at 2.82 trillion ringgit, almost three times the size of the Malaysian economy, with the

equity market at 1.74 trillion ringgit and the bond market at 1.08 trillion ringgit. The scale of capital market-based financing has also deepened significantly, with an annual average of 111 billion ringgit raised through corporate bonds and IPOs over the last three years. This is more than double the corresponding average of 48 billion ringgit a decade ago.

17. Growth in the fund management industry has been an important driver of capital market deepening, with 630 billion ringgit under management as of the end of 2014. Malaysia also has a well-developed Islamic fund management industry, holding 22 percent of the 73 billion dollars Islamic assets under management globally in 2014.
18. We currently have 20 companies operating under the Islamic fund management license issued by the Securities Commission, in addition to 21 fund management companies that operate 'Islamic windows' alongside their conventional business, offering a diverse range of Shariah-compliant investment products and services.
19. In order to make the most of this opportunity, and firmly establish Malaysia as the global leader in this field, the Securities Commission is developing a comprehensive Blueprint for Malaysia's Islamic Fund and Wealth Management industry that will be ready by the end of this year. The Blueprint will chart the medium and long term strategic direction for the industry as well as map out strategies and recommendations to strengthen the country's competitive edge.
20. Within the industry as a whole, the Securities Commission is committed to further expansion. New categories of licenses for boutique fund management companies will be introduced, and the range of permissible activities for fund management companies will be broadened to allow them to provide investment advice to clients via advisory mandates.
21. The Securities Commission is also focused on widening the people's investment choices and promoting greater inclusivity. In line with this, approval turnaround

time for funds is being shortened and passporting of ASEAN unit trust funds is being offered. Currently, six funds have been authorized, and the signatory countries include Malaysia, Singapore and Thailand.

22. The Commission is also working to enhance our country's reputation for best practices, and last year launched, together with the Minority Shareholder Watchdog Group, the Malaysian Code for Institutional Investors. This sets out broad principles of effective stewardship, including monitoring and engagement with investee companies, and managing conflict of interests. To date, there are six signatories to the Code, and I hope to see all of Malaysia's largest institutional investors sign on.

Ladies and gentlemen,

23. Inclusiveness and sustainability are key pillars of our vision for Malaysia's growth. Those two values are embedded in our Economic Transformation Programme and are at the core of our 11th Malaysia Plan, which will be tabled in Parliament next month.
24. The government has long recognized that increasing our national prosperity means nothing if it is not shared. The fruits of our success must be available to all. There are now 1.8 million more jobs. And we recently launched a new National Higher Education Blueprint to ensure that our talented younger generations can compete and succeed at the global level.
25. Government-Linked Companies under the GLC Transformation Program have been key contributors to the nation's economic growth and development over the past 10 years. Over this period, total shareholder return of the G20 -the group of GLCs which comprises some of Malaysia's largest companies - grew 12.6 per cent per annum, market capitalisation increased 3.2 times to 431 billion ringgit, while net profit grew 10.2 percent per annum. G20 has invested 154 billion ringgit into the Malaysian economy, and have internationalised their presence, drawing 34 per cent

of their revenue from abroad and operating in at least 42 countries. These achievements have benefited all stakeholders, with G20 returning 108 billion ringgit in dividends and 64 billion ringgit in taxes since 2004

26. Beyond the financial numbers, GLCs have played a major role in nation-building and in the strategic execution of economic structural change, as laid out in the New Economic Model. GLCs are also professionalising the Bumiputera Empowerment Agenda by implementing various initiatives in a market-friendly, merit-based and transparent manner. The GLCs are on-track to successfully “graduate” from the 10-year GLC Transformation Program this year, and I have been informed that to mark the occasion, a GLC Open Day will be held for the public in early August. The completion of the GLC Transformation Programme notwithstanding, we can all look forward to GLCs continuing as a major engine of economic growth for the nation.
27. At the same time, we must take care of those in need and those with middle incomes who could still benefit from a helping hand. We have been developing affordable, high-quality housing and have opened 1Malaysia clinics and shops so that healthcare and basic necessities are available to all.
28. We are carefully targeting subsidy delivery, so that we can empower the less fortunate. This is why we have introduced direct cash transfers - or BR1M - as a transitional measure. It is a measure that has been used in many other countries, and ensures that the money goes to those who need it most, rather than blanket subsidies. The recipients use it to buy necessities, which not only benefits them, but also has a local multiplier effect and contributes to our economic growth.
29. Alternatives to improve the country’s finances have been tried - such as the state rescuing selected companies. But these moves in previous decades led to the loss of billions of ringgit.

30. We prefer a more prudent approach, one that benefits the ordinary people. And so we are also delighted that more and more of our citizens are enjoying the safety and security of being included in the financial system. Today, 92 percent of Malaysians have access to a bank account, and we have been in the top rank in the World Bank's "Getting Credit" category for six years in a row.
31. All this is in keeping with our strong focus on balancing the development of the Capital Economy with that of the People Economy. Let me explain. The Capital Economy refers to the overall figures, such as those for GDP and per capita growth, capital markets and so on - highly significant measures on which Malaysia has been doing very well.
32. Success in these areas is good for all Malaysians. But such figures can seem remote to the rakyat when on a day to day basis they may be more concerned with the cost of nasi for the family table, or roti canai from a stall. Their priorities are the education their children are receiving at school, their jobs, the opportunities they see available to them, and their quality of life. The People Economy is based on the daily lives of the rakyat. And the government regards that as the bedrock of our economic planning - as a successful Malaysia is only possible so long as every Malaysian is included in our journey to high income status.

Ladies and gentlemen,

33. We are also looking to the future. The working age proportion of our population is currently high, and we want to ensure we make the most of the accompanying youth dividend. But we are preparing now for 2030, when 15 percent of our population is expected to be 60 and above.
34. The Economic Planning Unit will establish an advisory body that will look into how our social security system will be able to meet this challenge in the years to come, and we are strengthening the Senior Citizen Plan to ensure that age does not

sideline a community that will still have so much to offer, and whose wisdom and experience will be invaluable for younger generations.

35. I am also aware of the concerns expressed by the public about any future changes to the EPF. In just two days of the online consultation process that was recently set up, more than 50,000 Malaysians have taken part and given their views. It is already the largest ever public consultation carried out.
36. This government always listens to the views of the rakyat. And it is clear that the vast majority of EPF members, while understanding the importance of retirement savings at the age of 60, want the right to use their retirement funds at the age of 55.
37. I want to assure the rakyat that EPF members will retain their right to withdraw at the age of 55. The EPF will ensure that any new enhancement will only apply to new contributions if members decide to work beyond the age of 55. This strikes a fair balance between the rakyat's expectations to their hard-earned money at the age of 55 while protecting them if they retire at the age of 60.
38. So on all fronts, the fight to ensure that all Malaysians enjoy the lives and chances we want them to have continues. It will always be a priority for my government. Which is why we are very pleased to see that the private sector has increasingly demonstrated awareness of the need to integrate this agenda into their business models. This is not just a matter of altruism. It makes sound financial sense. Companies that have made sustainable and inclusive practices part of their strategies - thereby upholding their responsibilities to the environment and to society as a whole - have been able to attract and retain investment from a wider range of sources.
39. This is shown by the remarkable growth in the global sustainable investment market. It rose from 13.3 trillion dollars from 2012 to 21.4 trillion dollars in 2014 -

a compound annual growth rate of 27 percent. And it now accounts for more than 30 percent of professionally managed assets.

40. For Malaysia, the introduction of Islamic finance 30 years ago provided us with a natural platform to embark on Sustainable and Responsible Investment, or SRI. Malaysia's Islamic capital market, which recorded an average of 12 percent annual growth over the last five years, currently stands at 1.6 trillion ringgit. It also continues to be the global leader in the sukuk market, accounting for 66 percent of global sukuk issuance and 57 percent of global sukuk outstanding in 2014.
41. And this year Malaysia has broken further ground in this market by issuing its fourth global sukuk. This included 1 billion dollars in ten year sukuk, and 0.5 billion dollars in the first ever 30 year sovereign global sukuk. Both issues were massively oversubscribed - a true testament to global investors' confidence in Malaysia.
42. I am also pleased to announce that the Employees Provident Fund has embarked on an initiative to offer a shariah compliant investment option for its members as of 2017. This will create the largest shariah fund of its kind in the world, and will further strengthen Malaysia's position as a leading Islamic financial centre. As such, Malaysia is well placed to drive the sustainability agenda further, and in the 2014 Budget, I announced initiatives to do just that.
43. In this regard, I am pleased to announce that following the launch of the SRI Sukuk Framework by the Securities Commission last year, the first Malaysian SRI Sukuk Programme of up to 1 billion ringgit has been approved and will be issued by Ihsan Sukuk, an Independent Special Purpose Vehicle with full recourse to Khazanah Nasional. The proceeds from this programme will be used to fund eligible Shariah compliant SRI projects, such as education initiatives.
44. This sets the stage for Malaysia to not only strengthen its position as the leading global Sukuk centre, but also to expand the market for both fundraising and investing by fully integrating the principles of Shariah with those of SRI.

Ladies and gentlemen,

45. That is not all we have been doing to pursue our agenda of sustainability and inclusivity. At the end of last year, Bursa Malaysia launched an Environmental, Social and Governance Index, which measures, amongst others, efforts in environmental conservation, the impact of social responsibility initiatives on the community, and responsible and ethical decision-making.

46. The ESG Index provides investors, institutions and fund managers with a transparent way to rate sustainable investments. To-date, 24 companies have qualified to be included in the Index, and I strongly encourage more to enhance their operations so that they can meet the criteria necessary to join as well. Again, this makes financial as well as ethical sense, as we see that globally, institutional investors are focusing more and more on sustainable companies and instruments.

47. I am delighted to be able to underscore our commitment to this agenda today, by announcing that the Securities Commission has approved ValueCap's ESG Fund which, with a total fund size of 1 billion ringgit, will be launched by June this year. To further build on this commitment, I urge other institutional funds to follow suit and allocate at least 5 percent of their assets under management for sustainable and responsible investment.

Ladies and gentlemen,

48. One of Malaysia's many strengths is its mix of ethnicities, cultures, and religions. But to ensure that we make the most of our rich diversity, our workforce must reflect the composition of the population. So as of this year, public limited companies will be required to disclose their diversity policies, including those relating to gender, age and ethnicity, in the workplace and on their boards.

49. Institutional investors are increasing investing based on sustainability and diversity considerations. Therefore public listed companies that show more diversity are likely to attract greater institutional investment over time.
50. In terms of gender, the government has taken many steps to encourage female participation in the workforce. We have funded training programmes for women to become entrepreneurs and company directors. We recently launched a Career Comeback Grant which will provide incentives to employers to recruit women who have been on career breaks for more than six months. And we have provided tax deductions for employer-sponsored childcare centres, and are actively encouraging more businesses to set them up.
51. It is not only the Chinese who know that “women hold up half the sky”.
52. So I welcomed the 2011 Securities Commission’s Corporate Governance Blueprint that stated the ambition that women would make up 30 percent of company board members by 2016. We are making progress. I am pleased to note that in the capital market, women have taken up 19 percent of directorships in licensed firms, such as investment banks, stockbrokers and fund management companies.
53. However, at the PLC level, women currently make up on only 10 per cent of board members. I strongly encourage the private sector to intensify their efforts, as we know that diverse boardrooms are good for business.

Ladies and gentlemen,

54. 2015 will be an historic year for ASEAN, as we declare the establishment of the Economic Community, the next step in our progress together as a region. As ASEAN Chair 2015, Malaysia’s goals will be to achieve greater economic, political and social integration, thereby ensuring that we take full advantage of the opportunities our over - 600 million strong population offers.

55. Malaysia is the right country to lead - and we have already demonstrated our leadership. There are more home-grown ASEAN multinationals in Malaysia than in any other country in the region. Three of ASEAN's top ten investment banks call Malaysia home, and CIMB, one of your hosts today, is one of Asia's biggest home-grown capital market players.
56. Bursa Malaysia, your other host, was a key driver and founding signatory of the ASEAN Exchanges, a collaboration between seven stock exchanges which is driving cross-border harmonization, promoting the region and increasing capital flow into our markets.
57. With a combined GDP set to reach 4 trillion dollars by 2020, ASEAN will play an increasingly significant role in the global economy. In fact ASEAN is expected to become the world's fourth largest economy by 2050, if not before. We have the third largest labour force in the world, after China and India, and our young and increasingly well-educated populations are among the most dynamic and innovative people you could meet.
58. As trade and tariff barriers reduce within ASEAN it will be our goal to ensure that non-tariff areas of cooperation remain competitive, and that the ASEAN markets see ever-greater increases in their exports. Here at home, we are committed to ensuring that Malaysia remains one of the most open and transparent marketplaces for both ASEAN and global investors.
59. But further cooperation and integration within ASEAN itself promises still greater prizes. At the ASEAN Cap 10 CEO Summit in Kuala Lumpur this February, one of our bank CEOs predicted that if intra-ASEAN trade was boosted from 24 percent to 40 percent - and if NAFTA and the EU have done that and more, why shouldn't we? - the incremental impact on the ASEAN economy could be 2.5 trillion dollars annually, with a further 7 trillion dollars spending on infrastructure improving both

our competitiveness and the lives of our citizens. These are astonishing figures, and they underline just how much more can be achieved in our region.

60. As I have outlined, we want these rewards to be enjoyed by all, in line with our vision of a People-Centred ASEAN that stresses sustainability and inclusivity. But they can be shared too by investors and businesses from around the world.

61. This is ASEAN's time. And with Malaysia's centuries-long history of international trade and role as one of the founders of ASEAN, we are poised to lead the region towards realizing the great potential that is within our grasp.

Ladies and gentlemen,

62. I am delighted to welcome you all to Invest Malaysia 2015, and invite you to join with us in seizing this day: a day for ASEAN, a day for Malaysia; a day for the Malaysian people, and for all our friends from across the continents.

Thank you.

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