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**LUNCHEON KEYNOTE ADDRESS BY
THE HONOURABLE RAFIZI RAMLI
MINISTER OF ECONOMY**

***“Ramping up the Nation’s Economic Progress by Grounding
Economic Initiatives”***

**14 November 2023 | Tuesday | 12.00 PM
Grand Lagoon Ballroom, Sunway Resort Hotel, Kuala Lumpur**

Central Message:

- **A peaked interest rate environment is an opportunity to bolster non-interest income numbers by sourcing deals in HGHV sectors**
- **Everything you need for large-scale change overlaps with the banking and finance industry's strengths**

SALUTATIONS

- **Yang Berbahagia Tan Sri Dato' Seri Dr Jeffrey Cheah**, ASLI Chairman, Founder & Chairman of Sunway Group
- **His Excellency Yeth Vinel**, Under-Secretary of State, Ministry of Economy & Finance, Cambodia
- **His Excellency Kim Rithy**, Governor of Preah Vihear, Cambodia
- **Mr Apurva Sanghi**, Lead Economist for Malaysia, World Bank
- **Mr Danial Rahman**, CEO of ASLI

Good afternoon. Firstly, I'd like to convey my thanks to today's organisers, the Asian Strategy & Leadership Institute, as well as, the UN Sustainable Development Solutions Network (SDSN), together with Sunway University, and all the strategic partners from the banking and finance industry, for inviting me here today.

2. Secondly, I would like to take this opportunity to express my heartiest congratulations to Tan Sri Jeffrey Cheah on receiving a Knighthood from His Majesty Charles III. I understand that this recognition is for his contributions in forging collaborative links between Malaysia and the UK, in the areas of philanthropy, education, and healthcare.

Members of the ASLI Board, strategic partners, esteemed speakers, distinguished guests, ladies and gentlemen.

3. The past three years have redefined the fiscal and monetary paradigms for countries across the world. In an attempt to curb inflation, central banks have conducted the steepest series of interest-rate increases haven't seen in decades.

4. The cascading effect of this "higher-for-longer" environment has reverberated throughout each segment of the society.

5. From the macro perspective, the government is managing a growing debt burden, with debt-to-GDP ratio hitting 63%. Businesses have had to claw back revenue from the pandemic years, and people have had to withdraw from the EPF just to get by.

6. At the core of this is a banking and finance industry that had to navigate an economy that was at a standstill for almost two years. Yet, on the back of these higher interest rates, banks have managed to bolster their earnings with record highs in net interest income (NII) and robust growth in loans.

7. However, as is the case with the cyclical nature of markets, where the peaks have been in net interest income (NII), the troughs have come from the non-interest income side (NOII), specifically, in the form of the advisory and fee-based business.

8. Uncertainty in the financial markets has forced many from the buy-side to revise their investment choices. With the lull in private equity deals continuing into 2023, many GPs are growing weary of the limited exit opportunities. This jeopardises the reinvestment lifecycle, as dry powder is accumulating, but no capital is being deployed into the system.

9. In such times, one solace from being the Minister of Economy is I get to take a long-term horizon view on such matters. With interest rates forecasted to drop in 2024, expect a shortfall in net interest income (NII) and a rebound in wholesale banking.

10. In these newfound dynamics, the question becomes how best can the banking and finance industry optimise revenue growth through fee-based services.

11. Given Malaysia's transition towards a high-income country by 2025, the types of deals we source must be of equally high value. To that end, this administration has also identified five high-growth, high-value sectors to double our efforts. These are namely: the E&E industry, rare earths, modern agriculture, energy transition, and the startup ecosystem. It is the latter two that will be of most interest to those of you before me.

12. Drawing on the second theme of today's summit, the National Energy Transition Roadmap, announced earlier in the year, aims to transition

Malaysia to a sustainable and inclusive energy system, through 10 catalytic projects.

13. It's a framework for our nation to transform the stagnant structures of our economy fundamentally. Market liberalisation will open up RM1.85 trillion worth of investment opportunities by 2050. 350,000 jobs will be created as a result of this, corresponding to a 10%-15% uplift in GDP.

14. By capitalising on this transition towards renewable energy, Malaysia's financial industry will have the once-in-a-generation opportunity to capture large segments of the transition value chain. This includes expanding our gigawatt-hours of storage, increasing the installation capacity of our solar PVs, and the number of electric cars throughout the country.

15. The second HGV sector is our startup ecosystem. This year's budget allocated RM28 million to the MYStartup platform: a single window for all stakeholders in the ecosystem. This will streamline and centralise our currently fragmented ecosystem of 14 agencies and 20 funding programmes.

16. On top of this reduction in bureaucracy, we are providing tax incentives to angel investors and individual investors to encourage local funding through equity crowdfunding platforms. This will give the necessary jolt required for startups to circumvent the initial high costs of actualising ideas and grow the commercialisation pipeline.

17. Whilst it must be acknowledged that startups need to have clearer paths to profitability, growth remains an important indicator of good ideas. We must remain cognisant that the funding of sound ideas unlocks greater productivity within the economy, and spurs sustainable growth.

18. However, to create a healthy deal flow, the current status quo of high public expenditure, where the government is expected to execute much of the financing will not suffice. Therein also lies much of Malaysia's problems: expecting the government to drive change.

19. The reality is, that comprehensive, large-scale progress is best undertaken by the banking and finance industry. The genius of those of you in the audience is your organisation's ability to spread risk, execute rapidly, and adhere to robust governance.

20. With the direction and support of this government, there has never been a more opportune time to act. We have sufficient infrastructure, incentives, and initiative to drive Malaysia forward for a just and equitable transition.

21. Know we are already at the precipice of the undercurrents of change. What remains is the collective responsibility of each of us to ensure Malaysia is ready to get there.

22. With that, I'd like to thank the organisers again for this invitation, and I hope all of you continue to have a productive summit ahead.

RAFIZI RAMLI
Minister of Economy
14 November 2023