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**OFFICIAL ADDRESS BY
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***LAUNCH OF THE 29TH MALAYSIA ECONOMIC MONITOR:
“BENDING BAMBOO SHOOTS: STRENGTHENING
FOUNDATIONAL SKILLS”***

**25 April 2024 | Thursday | 09.30 AM
Sasana Kijang, Bank Negara Malaysia, Kuala Lumpur**

Central Message:

- **With uncertain global macroeconomic conditions, clarity of progress comes from the underlying trend of the economy, which is determined by the willingness to deliver necessary reform.**
- **In delivering difficult, structural policies, we must take a long-term view on results and support policy continuity.**

SALUTATIONS

- **YBhg. Dato' Nor Azmie bin Diron**, Secretary General of Ministry of Economy
- **YBhg. Datuk Dr. Zunika binti Mohamed**, Deputy Secretary General (Policy) of Ministry of Economy
- **YBhg. Datuk Dr. Yatimah binti Sarjiman**, Deputy Secretary General (Sectoral) of Ministry of Economy
- **YBhg. Dato' Luqman bin Ahmad**, Deputy Secretary General (Macro) of Ministry of Economy
- **Dr. Yasuhiko Matsuda**, Country Manager for World Bank Malaysia Office

Distinguished guests, ladies and gentlemen.

When I launched the 28th Malaysia Economic Monitor last October, there was a sense that as the year was coming to a close, the global economy would turn a corner into 2024. That interest rates would finally cut, and there would be a global uptick in activity levels.

2. When U.S. prices fell for the first time in November of last year, the markets were anticipating up to 6 rate cuts in 2024. Such speculation was short lived, as the most recent figures in March show the consumer price index up 3.5%, beating market expectations and dampening the chances of anything more than two rate cuts.

3. Whereas, China, our largest trading partner, has started 2024 with some momentum, with the economy growing faster than expected in the first quarter. Whilst this bodes well for Malaysia, we must remain steadfast in taking a **long-term horizon view** of our economy and growth prospects.

4. As you scope out, it isn't the quarterly to quarterly reporting that determines a country's economic growth, but the underlying trend through the years, which is a by-product of policy continuity and the ability to deploy much needed reform.

5. We see this in our inflation figures. When this administration formed at the end of 2022, we were facing headline inflation figures as high as 3.3%. A year later, we see these numbers declining to 2.5%, a testament to our fiscal

discipline and paves a monetary base large enough to pursue more high-growth policies.

6. As promised, where 2023 was a year of careful planning, we have already hit the ground running in 2024 with execution. Just in January, we launched the centralised database PADU. Despite the many detractors, we have registered **11.6 million individuals, equivalent to 52.6%** of Malaysians aged 18 and above.

7. This gives us the sufficient bandwidth to finally implement **subsidy rationalisation** and transition away from the regressive model of blanket subsidies. With this level of necessary, granular data, we can minimise both exclusion and inclusion errors, and ensure an equitable distribution of subsidies to those that need them most.

8. Furthermore, in undertaking this once-in-a-generation fiscal reform, we can start plugging the hole of our expanding federal debt, which stands at 64.3% of GDP. This is especially pertinent in this high interest rate environment, where our debt service charges are increasing.

9. Therefore, in the coming weeks, we will start to communicate the mechanisms and criteria for this, and explain the implications to each strata of society. If we can pull this off, World Bank estimates indicate that the redirection of these subsidy savings into social assistance can **double poverty reduction and still generate fiscal savings**.

10. With this consolidation of our fiscal position, the search for new growth verticals remains pressing. That is why the government's launch of KL20 this past week represents a diverging path. Alongside the launch of the KL20 Action Paper, we rolled out a series of holistic reforms, that will position Kuala Lumpur as the next haven for VCs and startup founders.

11. The vindication of these reforms lie in the announcements of several deals. These include the RM3 billion ASEAN Investment Initiative, the presence of 12 international VCs opening new offices here, and Southeast Asia's largest IC design park backed by companies like Arm and Phison.

12. On the labour market front, the progressive wage policy white paper was tabled and passed in parliament last November. Next month, we will already be opening registration for the pilot project which will be a case study for wider adoption across the country, as we debottleneck our stagnating wages.

13. Ladies and gentlemen, the last time I was up here, I mentioned how courage is an important quality during a policy's lifecycle. But it is also taking a **long-term view** in waiting for the results, that we must be mindful of, when carrying out the mandate of meaningful reform.

14. For example, when we brought IPR last year, few grasped the full extent of how poverty could be eradicated through the empowerment of a vending machine. But we are seeing just yesterday that a woman in Kelantan is able to earn up to RM21,000, almost ten times more than before IPR's existence.

15. It's the same philosophy we must take in reforming our education system. If we are to move from the bottom third of PISA performers to the top third, we need to be brave enough to institute creative, albeit controversial, policies. It's only by staying the course, will our children benefit and that we can create a pipeline of high-quality talents large enough that transform our fortunes.

16. Therefore, when reversing decade-long issues, we mustn't expect overnight successes. These reforms are meant to be presently difficult, but so long there is continuity and prudence in policymaking, there will be gradual change in our culture, our economy, and our country.

17. With that, I'd like to congratulate the organisers on another successful launch of the 29th Malaysia Economic Monitor.

RAFIZI RAMLI
Minister of Economy
25 April 2024