

Abdul Rasheed Ghaffour: Malaysia International Islamic Financial Centre-UK Business Forum 2024

Opening address by Mr Abdul Rasheed Ghaffour, Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Malaysia International Islamic Financial Centre (MIFC)-UK Business Forum 2024, London, 10 September 2024.

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Assalamualaikum and good morning,

First and foremost, allow me to express our gratitude to His Royal Highness Sultan Nazrin Shah, for gracing our forum today and for his unwavering support and leadership in advancing Islamic finance. His Royal Highness in various capacities including as the Royal Patron of the Malaysia's Islamic Finance Initiative and his global humanitarian involvements, continue to inspire all of us. Over many years, His Royal Highness has been active in advocating for the transformative potential of Islamic finance and social finance in addressing the pressing challenges facing the world today – extreme poverty, climate change, human displacement due to geopolitical conflicts, among others. Just last Saturday, at the 15th SC-OCIS Roundtable, His Royal Highness has called for restoring of humanity in finance, emphasising the importance of balancing more carefully the paramount goal of economic growth with the goals of environmental stewardship and social inclusion. Like all of you here today, I look forward to the insights and perspectives from His Royal Highness' keynote address shortly.

It is with great honour that I welcome all of you to the MIFC-UK Business Forum. We gather here today not only to exchange ideas but to forge meaningful connections and explore what we can do together to catalyse Islamic finance. Malaysia and the UK have long sustained strong economic and financial ties. The UK has always been an important partner for Malaysia. We hope that these strong interlinkages can pave the way for innovative collaborations in Islamic finance, sustainability, and trade to further bolster our economies.

Let me first share some insights on Malaysia's economic landscape and prospects that offer opportunities to investors.

For many years, Malaysia has carefully navigated unprecedented challenges – not just crises such as the Asian Financial Crisis, the Global Financial Crisis and the Covid-19 pandemic, but also the ever-evolving economic landscape, global and regional geopolitics, as well as our own shifting domestic landscape. Through thick and thin, our financial market remained orderly, and our economic fundamentals remained sound, supported by resilient domestic demand and a robust external sector. In trade, Malaysia is now the world's 20th largest exporting economy. Our mix of export products and trading partners is highly diversified. Malaysia's resilience is further contributed by a current account surplus, manageable external debt, a positive net external asset position and an adequate level of international reserves. Today, Malaysia's economic growth continues to be driven by strong private consumption, robust investment growth and a steady pick-up in external demand. In 2024, we expect GDP growth to be closer to the upper-bound of the 4 to 5% forecast range. What is exciting is the robust

expansion in investments. This is attributed to new and ongoing multi-year projects by both the public and private sectors, further progress of key infrastructure projects and realisation of approved investments. The investment share of GDP rose to 22.2% in the second quarter of 2024 compared to 19.7% in 2022. These developments are testaments that Malaysia is a highly attractive investment destination.

Ladies and gentlemen,

Now, let me turn to our vision for the financial sector to play a pivotal role in realising Malaysia's economic aspirations. We are seeing flows into high quality investments that are in line with our investment aspirations which include uplifting Malaysia's economic complexity, enabling high-value added activities, generating high-income jobs and creating strong economic linkages, both domestically and globally. We also see sustainable finance and Islamic finance as important levers to address the economy's funding needs as well as to serve as an international gateway for Asia and OIC markets with respect to Shariah-compliant investments.

At the heart of Islamic finance are principles of justice, inclusivity, resilience, and sustainability – values that are critical in today's economic landscape. In Malaysia, Islamic finance is anchored by Value-based Intermediation (VBI) strategies and Sustainable and Responsible Investment (SRI) framework. The Central Bank of Malaysia and Securities Commission Malaysia are actively working to unlock the full potential of new growth sectors by integrating Islamic finance with sustainable and green finance initiatives. These developments build upon the progress made over four decades (since the introduction of Islamic finance in Malaysia) in developing a progressive, inclusive and resilient financial ecosystem.

Malaysia is also taking decisive steps towards achieving our Net Zero target in 2050, guided by strategic frameworks such as the National Energy Transition Roadmap (NETR), the Hydrogen Economy and Technology Roadmap (HETR), and the New Industrial Master Plan (NIMP). For the financial sector, the Joint Committee on Climate Change or JC3 was established as a collaborative platform between the regulators and players, including Islamic finance players, to build climate resilience within the Malaysian financial system. Through JC3, we are scaling up climate finance pilot projects such as Greening Value Chain (GVC) and Greening Industrial Parks (GIP). These initiatives not only provide an impetus to our investment prospects, but also underscore our commitment to sustainable and inclusive practices, aligned with the Government's economic framework.

Ladies and gentlemen,

In closing, I strongly believe our forum today can pave the way to realise two main outcomes:

- First, stronger cross-border investment linkages that serve as catalysts for economic growth and investment opportunities; and
- Second, wider acceptance and use of Islamic finance as a vehicle to drive our efforts to transition to a greener economy.

I look forward to the productive discussions and meaningful collaborations that will emerge from this forum.

I also wish to extend our appreciation to our partners, namely, the Islamic Finance Council UK, TheCityUK and UK Islamic Finance - Halal Economy Hybrid Group for their warm support in making this forum a reality. My appreciation also goes to our Malaysian partners – the MIFC Leadership Council, the Malaysian High Commission in London, government agencies, and industry players that have worked hard to organise this event.

With that, it is my great honour to now invite His Royal Highness Sultan Nazrin Shah to deliver his keynote address *on "Sustainable Future: Leading the Change."*

Thank you.