

# Macroeconomic Outlook



## Global growth to be slower in 2023

### Challenging and uncertain global outlook

The global economy is expected to grow at a slower pace in 2023. Several positive factors such as China's reopening, resilient labour market, easing of supply chain conditions and recovery in services activity, particularly tourism will support growth. However, there are headwinds from elevated inflation and tighter monetary policy, amid waning support from reopening in most economies. The recent episodes of banking stress in some advanced economies are also expected to negatively affect growth to some degree. This is driven by more cautious lending behaviour among banks.

The balance of risks to global growth remains tilted to the downside. Downside risks stem from escalation of geopolitical tensions, higher-than-expected inflation and a sharp tightening in financial conditions including from further stress in the banking sector. In contrast, upside risk to global growth can arise from stronger-than-expected domestic demand in major economies.



## Malaysian economy to remain resilient

### Growth will be driven by domestic demand amid external headwinds

For 2023, the Malaysian economy is expected to continue to expand amid slower external demand. Growth will be driven by domestic demand, supported by improving labour market conditions, higher tourism activity and further progress of multi-year investment projects. Domestic financial conditions also remain conducive to financial intermediation.

The risks to Malaysia's growth outlook are fairly balanced. Upside risks are mainly from domestic factors such as stronger-than-expected tourism activity and implementation of projects including those from the re-tabled Budget 2023. Meanwhile, downside risks stem from weaker-than-expected global growth and more volatile global financial market conditions.

# Macroeconomic Outlook



## Headline and core inflation to moderate in 2023

### Headline and core inflation to moderate over the course of 2023 although core inflation would remain elevated

For 2023, headline and core inflation are projected to moderate over the course of the year but remain elevated at an average of between 2.8% and 3.8%. The moderation is mainly attributed to lower global cost factors, amid the easing of supply chain disruptions and lower commodity prices. However, core inflation will remain at elevated levels due to firm demand conditions. Upward pressures to inflation are expected to continue to be partly contained by existing domestic policy on price controls and fuel subsidies. The balance of risk to the inflation outlook is tilted to the upside, as it remains subjected to changes to domestic policy measures on administered prices, financial market developments and commodity price developments.

*This section is intentionally left blank*