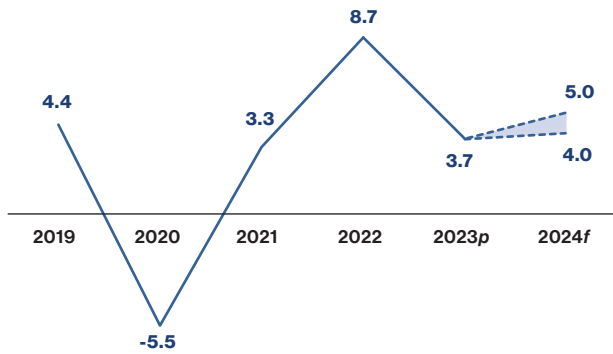


Key Highlights on Economic Development and Outlook

Malaysia's economy to grow between 4% and 5% in 2024

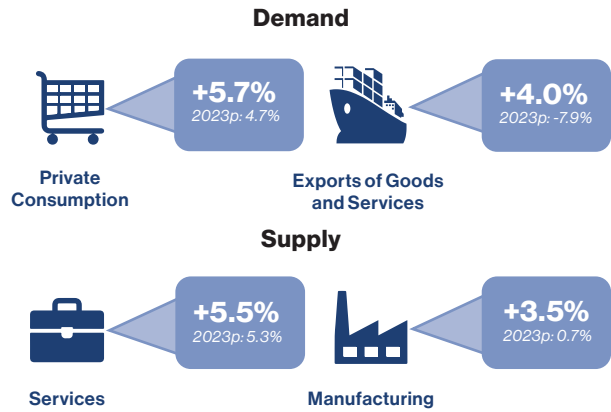
Real GDP growth (Annual change, %)



p Preliminary
f Forecast

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Key drivers of growth in 2024 (Annual change, %)



Growth underpinned by resilient domestic demand and improvement in external demand

Key growth drivers



Continued expansion in household spending

Higher income growth and continued expansion in employment



Improvement in investment

Supported by new and ongoing multi-year projects as well as implementation of national master plans



Recovery in goods trade activity

Rebound in global trade amid the tech upcycle



Higher tourist arrivals and spending

Upside risks to growth

- Greater spillover from the tech upcycle
- More robust tourism activity
- Faster implementation of investment projects



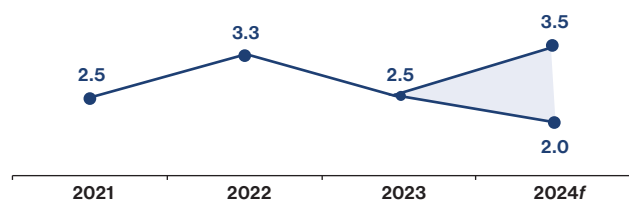
Downside risks to growth

- Weaker-than-expected external demand
- Further escalation of geopolitical conflicts
- Larger decline in commodity production

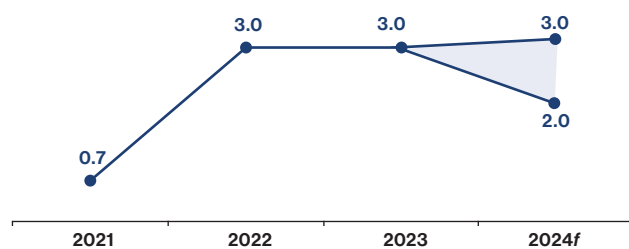


Headline inflation to average between 2% and 3.5% in 2024

Headline Inflation



Core Inflation



Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Risks to the inflation outlook



Higher prices after subsidy and price control adjustment

Higher input costs due to exchange rate development

Higher global commodity prices

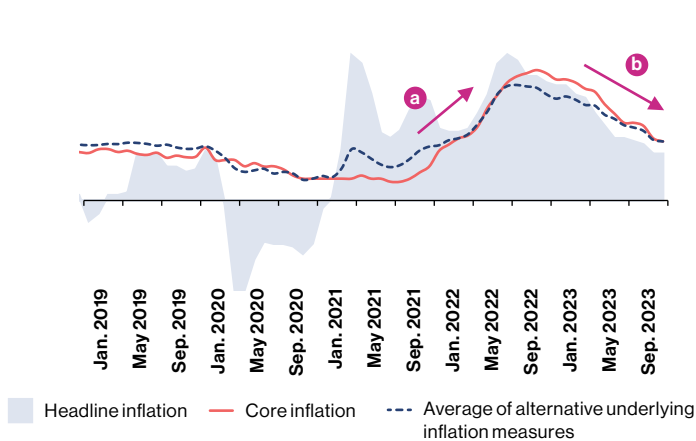
Softer commodity prices from weaker global growth

Key Highlights on Box Articles

Underlying Inflation at its Core

In 2023, moderation across various underlying inflation measures reflect that disinflation was broad-based

Inflation in 2023 (Annual change %)



1 Headline inflation can be **heavily influenced by temporary price fluctuations** affecting a small subset of items

2 This motivates the use of **underlying inflation measures which give a clearer signal** of the general price trend:

a **Uptrend in underlying inflation** reflects that robust demand and higher costs drove broad price pressure from 2022 to 1H 2023

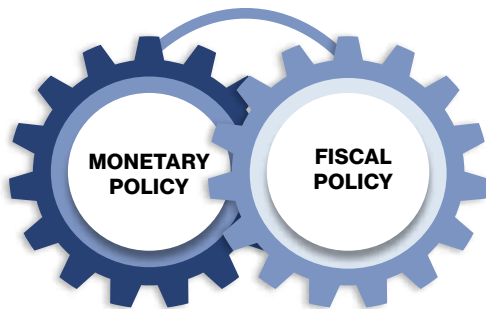
b **Subsequent moderation** reflects broad based disinflation across CPI items amid stabilising demand and easing costs

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Navigating Economic Cycles: Interactions Between Monetary and Fiscal Policy

Balanced approach to monetary and fiscal policies ensure optimal macroeconomic outcomes

Counter-cyclical policy tools



Outcomes of balanced approach to policies

- 1** Preserves macroeconomic stability

- 2** Maximises the effectiveness of each policy

- 3** Prevents overburdening of policies

Reforms to facilitate seamless policy interactions:



Monetary policy: Strengthening surveillance on inflation dynamics and policy transmission as well as deepening understanding of structural shifts



Fiscal policy: Enhancing conduct using economically sound indicators and steadfast commitment to fiscal reforms



Structural reforms: Enhancing growth potential and resilience by future-proofing the workforce, social protection reform, and transitioning to a greener economy

Key Highlights on Box Articles

The Case for Labour Market Reforms in Malaysia: Challenges and Opportunities

Comprehensive and strategic labour market reforms are critical to build a resilient workforce and secure sustainable growth

Key megatrends will present challenges and opportunities...

...necessitating an urgent and comprehensive reform of the labour market



Technological advancement

1

Address skills mismatch

Government, academia & industry collaboration to enhance education and training



Reconfiguration of supply chains

2

Upskill the workforce for the future

Promote lifelong learning for an agile workforce



Green transition

3

Create high-skilled jobs

Encourage widespread technological adoption and high-quality investment



Ageing population

4

Design foreign worker policies in line with development needs

Reduce low-skilled foreign workers as well as attract and retain high-skilled talents

5

Fair compensation and social protection for workers

Enhance existing wage policies and improve social protection