

Glossary, Acronyms and Abbreviations



Adaptation measures

According to Intergovernmental Panel on Climate Change (IPCC), it refers to the process of adjustment to actual or expected climate and its effects, in order to moderate harm or exploit beneficial opportunities.

Aggregate outstanding ringgit liquidity placed with BNM

Surplus liquidity absorbed by Bank Negara Malaysia (BNM), through its monetary operations and Statutory Reserve Requirement (SRR). The main borrowing instruments used for this purpose include direct money market borrowing, repurchase agreements (repo), Qard acceptance, Commodity Murabahah Programme (CMP), sell-buy swaps, Bank Negara Monetary Notes (BNMN) and Bank Negara Interbank Bills (BNIB).

Artificial intelligence (AI)

Technology that enables computers or machines to simulate human intelligence to perform tasks such as reasoning, making decisions and solving problems. Examples of AI technologies includes digital assistants (e.g. Siri, Alexa), recommendation systems (e.g. provided in streaming services, online stores and social media platforms), and creation of text or images based on prompts (also known as generative AI).

Asset purchase programme

A form of expansionary monetary policy undertaken by central banks through the purchase of predetermined amounts of government bonds or other specified securities in order to lower long-term interest rates and stimulate the economy.

Balance of payments

A statistical summary of economic transactions between residents and non-residents of a country during a specific time period.

Bank Negara Interbank Bills (BNIB)

A short-term discounted note with maturity of up to one year and qualifies as Level 1 high-quality liquid assets (HQLA). BNIB can only be purchased by and traded among licensed banks and investment banks.

Base effect

The effect whereby a year-on-year growth rate, for a given month, is largely influenced by a non-seasonal deviation in the monthly growth rate of the base month (i.e. the same month in the previous year). For example, if the inflation rate was particularly low in January last year, even a moderate rise in consumer prices in January this year will arithmetically give a high year-on-year inflation rate in January.

Business cycle

An economic phenomenon whereby economic activity periodically expands and contracts in cycles over time. The business cycle is influenced by various factors, including monetary and fiscal policies, changes in consumer and business sentiments, and global economic conditions.

Core inflation

A measure of underlying inflation. One common method of calculation is by excluding items whose price fluctuations are deemed transitory

from the Consumer Price Index (CPI) basket. These items include price-volatile and price-administered goods and services. Core inflation that is estimated by BNM also excludes the estimated direct impact of consumption tax policy changes.

Cost-push inflation

Inflationary pressures whereby the impetus for price increases comes from higher cost of production.

Current account

Records of a nation's transactions with the rest of the world —specifically its net trade in goods and services, its net earnings on cross-border investments, and its net income and transfer payment.

Direct investment abroad (DIA)

A category of cross-border investment by a Malaysian resident investor associated with the objective of establishing a lasting interest in an enterprise abroad. A 'lasting interest' is when there is a long-term relationship in which the direct investor has a significant degree of influence on the management of the enterprise (e.g. an ownership of at least 10% of the voting power).

Discretionary items

Non-essential items which households spend on with their income. Examples of these items include restaurants and hotels as well as recreational activities.

Domestic institutional investors

Resident financial institutions with large holdings of financial assets in domestic financial markets. These include banks, pension funds and insurance companies.

Economic slack

The amount of resources in the economy that are not being utilised, such as idle capital inputs or unemployed persons, due to insufficient demand relative to what the economy is capable of producing.

Effective / zero lower bound

Characterised by a point where central banks find it challenging to further lower short-term interest rates to stimulate the economy.

Exchange rate valuation effect

The changes in ringgit equivalent value of Malaysia's foreign currency-denominated external assets and liabilities, and export and import values due to changes in the ringgit exchange rate.

Financial account

Records of transactions that involve financial assets and liabilities that take place between residents and non-residents of a nation.

Financial conditions

Financial conditions reflect the ease of securing financing in the economy. It can be defined as the current state of financial variables that influence economic behaviour and therefore future economic activity. It is typically measured by an index, called the 'Financial Conditions Index' that aggregates a wide range of financial variables, such as equity prices and bond yields.

Fiscal dominance

A situation whereby monetary policy decisions are influenced by fiscal considerations, particularly via public debt vulnerabilities.

Fiscal multiplier

Defined as the impact of changes in discretionary fiscal policy, such as government spending or taxation, on overall economic activity.

Foreign direct investment (FDI)

A category of cross-border investment by a non-resident investor associated with the objective of establishing a lasting interest in an enterprise in Malaysia. A 'lasting interest' is when there is a long-term relationship in which the non-resident direct investor has a significant degree of influence on the management of the enterprise (e.g. an ownership of at least 10% of the voting power).

Foreign exchange operations

The act of maintaining orderly market conditions in the domestic foreign exchange (FX) market by managing liquidity via buying or selling foreign and domestic currency with counterparties such as the commercial banks.

Fourth Industrial Revolution (4IR)

The on-going phase in digitalisation of the manufacturing sector, enabled by fusion of extraordinary technological advances such as artificial intelligence, robotics, the Internet of Things and 3D printing. It blurs the boundaries between physical, digital and biological worlds.

General price level

The average level of prices for goods and services in an entire economy over a specific period. Changes in the general price level broadly reflect consumers' purchasing power over time.

Gig economy

Gig economy is defined as a socio-economic system powered by digital platforms that allow sharing of assets and resources between individuals, governments and/or businesses thus increasing assets and resource utilisation or promoting access over ownership of assets and resources.

Headline inflation

The annual price increase for a basket of items that are commonly consumed by an average household. For Malaysia, headline inflation is computed based on the Consumer Price Index (CPI) basket.

Hedging facilities

Financial instruments that allow investors to reduce investment risk using financial derivatives such as options, swaps and futures contracts.

Idiosyncratic shocks to inflation

Inflationary pressures that are specific to certain segments of goods and services, rather than being reflective of the general price level across the CPI basket. For example, an idiosyncratic shock to vegetable production may result in higher prices of vegetables but would not generate inflation to other unrelated CPI segments, such as clothing or motorcars.

International investment position (IIP)

The external balance sheet, detailing the country's outstanding financial assets and liabilities position relative to the rest of the

world. A positive net IIP denotes Malaysia's position as a net creditor nation, while a negative net IIP denotes Malaysia as a net debtor nation.

Investor risk aversion

A situation where investors prioritise preservation of capital over potentially higher returns, particularly in an environment of heightened uncertainties.

Knock-on effects

The indirect or cascading impact to broader CPI prices stemming from the initial price change in a separate but related item segment. For example, higher energy prices may induce knock-on effects to other CPI items as they constitute an input cost to production of many other goods and services.

Labour productivity

Labour productivity refers to the efficiency and effectiveness of each employee to generate output or value-added. It is expressed as a ratio of value-added to total hours worked or to employment.

Liquidity injection operations

The use of monetary operations to provide liquidity to the banking system through instruments such as reverse repurchase agreements (reverse repos) and foreign exchange swap facilities.

Low-value goods (LVG) tax

Sales tax of 10% on goods, valued at RM500 or less, imported into Malaysia by land, sea, or air. The tax came into effect on 1 January 2024.

Mitigation measures

According to IPCC, it refers to a set of human interventions to reduce emissions or enhance the sinks of greenhouse gases.

Monetary Policy Committee (MPC)

The body responsible for formulating monetary policy and the policies for the conduct of monetary policy operations, as stipulated in the Central Bank of Malaysia Act 2009.

Monetary policy normalisation

Actions by central banks to return the stance of monetary policy back to more normal levels, which is consistent with the medium-term objective of achieving macroeconomic stability.

Movement restriction measures

Policies enforced nationwide by the Government in order to limit the movement of people, within a specific area and/or across borders, in order to limit the spread of infectious diseases, such as COVID-19.

Natural interest rate

Refers to the level of interest rate that neither stimulates nor restrains economic growth.

Net errors and omission

Balancing or residual item which occurs when the current, capital and financial accounts do not mirror the change in international reserves due to imperfections in data source and compilation (e.g. incomplete data sources, difference in timing of recording, valuation factors).

Nominal wages

Nominal wages are wages expressed in a monetary form and is not adjusted for inflation.

Non-resident entity

An institutional unit which engages in economic activities and transactions for a period of one year or longer from a location outside of Malaysia.

Organisation of the Petroleum Exporting Countries (OPEC) +

OPEC is an organisation consisting of twelve Member Countries, as of March 2024, with substantial net exports of crude petroleum. Its aims include ensuring the stabilisation of oil markets to secure an efficient, economic, and regular supply of petroleum. An alliance between OPEC members and ten non-member oil-producing countries, such as Russia, is known as OPEC+.

Overnight Policy Rate (OPR)

The indicator of the monetary policy stance for Malaysia. The level of the OPR is decided by the MPC. It also serves as the target rate for the day-to-day liquidity operations of the Bank, which will influence other interest rates in the economy.

Pent-up demand

A rapid and transitory increase in demand for goods and services that is above and beyond its pre-economic downturn levels. This occurs when consumers hold off their spending on selected items during periods of economic slowdown and/or restrictions that inhibit certain purchases. This, in turn, results in a build-up of demand which would materialise when the economy recovers and/or restrictions are eased.

Physical risks

Risks that are associated with extreme weather events and gradual and permanent shifts in the intensity of weather events.

Portfolio investment

A category of cross-border transactions and positions involving debt or equity securities in the capital markets, other than those categorised as foreign direct investments, direct investments abroad or reserve asset transactions.

Portfolio rebalancing

A process whereby investors or fund managers reallocate the weightings of financial assets in their investment portfolios. This is achieved by buying and selling assets to align the investor's holdings with a target portfolio allocation.

Price controls

Government regulations which establish a fixed maximum price for specified goods and services.

Price valuation effect

Unrealised holding gains and losses on outstanding assets and liabilities following changes in market prices.

Primary income

Income earned from the contribution to production processes, provision of financial assets and renting of natural resources. These include compensation of employees (e.g. wages, salaries), investment income (e.g. dividends), interest income and rent transactions between residents and non-residents.

Producer price inflation

The annual change in Producer Price Index for local production, which is an output-based index that measures the price of goods sold to the domestic market charged by producers at the ex-factory price.

Relative prices

The price of individual items or segments within the CPI basket, relative to other consumer items, which are driven by supply and demand dynamics specific to those items, rather than reflecting broader trends affecting the general price level.

For example, the relative price of apples may increase compared to oranges when there is higher demand or lower supply of apples in the economy. Hence, this may lead consumers to adjust their consumption of apples compared to oranges. However, as this relative price change does not extend to the broader set of goods and services in the economy, hence it does not constitute a change in the general price level.

Resident entity

An institutional unit which engages in economic activities and transactions for a period of one year or longer from a location in Malaysia.

Safe haven assets

Financial assets that are expected to retain or increase in value during heightened stress in financial markets and economic uncertainty. They are typically assets that investors perceive to have guaranteed returns.

Sales and Services Tax (SST)

Sales tax is a single-stage tax levied on taxable goods imported into Malaysia and those locally manufactured in Malaysia by a taxable person, subject to the Sales Tax Act 2018. Service tax is a tax charged on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, subject to the Service Tax Act 2018.

Secondary income

Current transfers (provision of goods, services or financial assets) between residents and non-residents with no corresponding economic returns. These include transfers by the general government, personal transfers (e.g. remittance by foreign workers) and other transfers in cash or kind.

Short position

A financial position when an institutional unit sells securities (such as shares or foreign currency) for which it is not the economic owner. This borrowed security is typically bought back in the open market, to be returned to its economic owner at an agreed upon price and date.

Statutory Reserve Requirement (SRR)

The SRR is a liquidity management instrument available to BNM. It is used by BNM to withdraw or release liquidity to the banking system when the excess or lack of liquidity is perceived by BNM to be large and long-term in nature. The SRR is not a signal on the stance of monetary policy as the Overnight Policy Rate (OPR) is the sole indicator used to signal the stance of monetary policy.

Transition risks

Risks that occur from adjustments made by government, businesses and households in moving towards a low-carbon economy.

Underemployment

Underemployment can be divided into two categories, which are time-related underemployment and skill-related underemployment. Time-related underemployment is defined as those who are employed less than 30 hours per week due to the nature of their work or because of insufficient work. Additionally, they are able and willing to accept additional hours of work. Skill-related underemployment is defined as those with tertiary education and working in the semi-skilled and low-skilled occupations.

Underlying inflation

The persistent trend component of inflation. It is typically constructed by removing the transitory and seasonal components from headline inflation.

Wage-price spiral

A phenomenon where, amidst the environment of broad-based and persistent inflationary pressures, businesses keep

increasing prices in anticipation of higher inflation, as well as wages increase as workers demand for higher wages to make up for the expected losses in purchasing power. Wage and price inflation could start feeding on each other and create a spiral, where both wages and prices accelerate (Alvarez et al., 2022).

Weighted average base rate

Effective January 2015, the base rate (BR) is the main reference rate for new retail floating rate loans. The BR is determined by financial service providers' (FSPs) benchmark cost of funds and the Statutory Reserve Requirement (SRR). Other components of loan pricing such as borrower credit risk, liquidity risk premium, operating costs and profit margin would be reflected in a spread above the BR. The average BR of FSPs is weighted based on each FSP's share of outstanding floating rate loans.

Note: Beginning August 2022, the BR was replaced with the Standardised Base Rate (SBR) as the main reference rate for new retail floating rate loans. The SBR is linked solely to the OPR, and the other components of loan pricing such as borrower's credit risk will be reflected in the spread above the SBR.

ALR

Average Lending Rate

BNM

Bank Negara Malaysia

BRF

Business Recapitalisation Facility

CAPB

Cyclically Adjusted Primary Balance

CPI

Consumer Price Index

DFI

Development Financial Institutions

DSPB

Debt Stabilising Primary Balance

EAC

Economic Action Council

E&E

Electrical and electronics

ECRL

East Coast Rail Link

EIS

Employment Insurance System

ESG

Environmental, Social and Governance

FCY

Foreign currency

FD

Fixed deposit

Fed

US Federal Reserve

FOMC

Federal Open Market Committee

FPC

Fiscal Policy Committee

GDP

Gross Domestic Product

GFCF

Gross Fixed Capital Formation

GLC

Government-Linked Companies

GLICs

Government-Linked Investment Companies

ILO

International Labour Organization

IoT

Internet of Things

KLIBOR

Kuala Lumpur Interbank Offered Rate

LCTF

Low Carbon Transition Facility

LRT3

Light Rail Transit Line 3

M&E

Machinery and equipment

MCO

Movement Control Order

MGII

Malaysian Government Investment Issues

MGS

Malaysian Government Securities

MPC

Monetary Policy Committee

NBFI

Non-Bank Financial Institutions

NEER

Nominal Effective Exchange Rate

NETR

National Energy Transition Roadmap

NIA

National Investment Aspirations

NIMP 2030

New Industrial Master Plan 2030

NR

Non-residents

OPEC

Organisation of the Petroleum Exporting Countries

OPR

Overnight Policy Rate

PACU

Project Acceleration and Coordination Unit

PPI

Producer Price Index

ROS

Region of Stability

SDR

Special Drawing Rights

SMEs

Small and medium enterprises

SRR

Statutory Reserve Requirement

WSTS

World Semiconductor Trade Statistics

5G Network

Fifth-Generation Network