

# Macroeconomic Outlook



## Tighter monetary policy to weigh on global growth

### Global growth expected to moderate before recovering gradually in 2H 2024

The global economy is expected to grow at a slower pace in 2024. The impact from tight monetary policy is expected to intensify in subsequent quarters, before dissipating towards 2H 2024. Global inflation would likely moderate further, with commodity prices posing a clear upside risk. China's growth would moderate in 2024, as reopening support dissipates and property market remains in a downturn. Global trade recovery is likely to be gradual given persistent headwinds from trade restrictions and ongoing shift in consumption from goods to services.

Downside risks stem mainly from higher-than-expected inflation, escalation of geopolitical tensions and a sharp tightening in financial market conditions. However, upside risk to global growth can arise from stronger-than-expected domestic demand, particularly in advanced economies.



## Malaysian economy to expand further

### Resilient domestic demand to support growth

Going forward, growth of the Malaysian economy will be driven largely by resilient domestic expenditure, with some support from E&E exports recovery. Household spending will be supported by steady growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, continued progress of multi-year infrastructure projects and implementation of catalytic initiatives will support investment activity. Budget 2024 measures will also provide additional impetus to economic activity. Meanwhile, domestic financial conditions remain conducive to sustain credit growth, as financial institutions continue to operate with strong capital and liquidity buffers.

The growth outlook is subject to downside risks from weaker-than-expected external demand, and larger and protracted declines in commodity production. Nevertheless, stronger-than-expected tourism activity, a stronger recovery from the E&E downcycle, and faster implementation of projects provide upside to Malaysia's economic outlook.

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## Headline and core inflation to remain moderate for remainder of 2023

**Headline inflation is expected to average between 2.5 – 3.0% for the year as a whole**

In line with expectations, headline and core inflation have continued to ease through the year amid the more moderate cost conditions. This would likely continue for the remainder of 2023 amid moderate momentum of price increases. Overall, headline inflation is expected to average between 2.5% and 3.0% in 2023.<sup>1</sup>

Moving into 2024, headline and core inflation are projected to remain modest barring further cost shocks. However, risks to the inflation outlook remain highly subject to changes to domestic policy on subsidies and price controls, as well as global commodity prices and financial market developments. Of note, the Government's intention to review price controls and subsidies in 2024 will affect the outlook for inflation and demand conditions.

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<sup>1</sup> Source: Economic Outlook 2024, Ministry of Finance Malaysia.