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Foreword

The Malaysian economy registered commendable growth in 2024, along with moderate inflation. This was achieved despite significant challenges and opportunities, and continued episodes of heightened global financial market volatility throughout the year. These were influenced by shifting expectations on movements in global interest rates, lingering concerns over inflationary pressures and intensification of geopolitical tensions. Naturally, these global developments have had spillovers to Malaysia. However, having entered this episode from a position of strength, the economy was able to absorb these shocks. The impact on domestic economic and financial conditions have been contained. This has also enabled Malaysia to continue advancing critical structural reforms to fortify its resilience and lift its prospects.

Bank Negara Malaysia (BNM) remained steadfast in discharging its role to promote monetary and financial stability conducive to sustainable growth. The Monetary Policy Committee (MPC) centred its deliberations around the prospects of growth and inflation, in an environment of policy reforms undertaken by the Government. Taking all these into consideration, the MPC kept the OPR unchanged throughout the year, assessing that the monetary policy stance remains supportive of the economy.

The ringgit saw heightened volatility throughout the year, driven by global developments. This is consistent with trends of other currencies. BNM remained focused in ensuring sufficient liquidity and orderly functioning of the financial markets. Such conditions are crucial so that businesses are able to meet all their foreign currency needs. Coordinated actions with the Government since February 2024 also promoted more balanced two-way flows in the domestic foreign exchange market. As global uncertainties receded and investor confidence on Malaysia's prospects grew, the ringgit ended the year stronger. The ringgit ended the year 2.7% higher against the US dollar, and 7.5% higher against our major trading partners more generally.

Encouragingly, 2024 also saw investments approved in Malaysia reach record high, with multi-year private and public sector projects also making good progress. What is important is that the current upcycle is driven by quality investments by both domestic and foreign parties, in line with the National Investment Aspirations. With these aspirations well considered and integrated in the design of national strategies – including the New Industrial Master Plan, the National Energy Transition Roadmap and the National Semiconductor Strategy – we believe that these high-value investments have the potential to yield favourable returns for many years to come. This would catalyse a virtuous cycle, with the promise of more inclusive and sustainable growth, including through higher paying jobs for Malaysians and transforming Malaysia into a high-income nation.

Notably, optimism in Malaysia's longer term growth prospects also improved on the back of the Government's commitment to reforms. The Government's continued focus to optimise expenditure through subsidy rationalisation is an important step in strengthening Malaysia's fiscal position. Beyond fiscal discipline, initiatives to strengthen industrial policy and climate resilience underscore Malaysia's ability to continue reforming and reinventing itself and will further lift Malaysia's future growth potential. Consistent with our mandate, BNM will continue to support and advise the Government in this effort to advance Malaysia forward. Going forward, the launched Invest Malaysia portal will serve as a platform for investors to have easier access to information on investable opportunities in Malaysia.

The financial sector has continued to meet the needs and demands of Malaysia's economic development. Significantly, the financial sector continues to step up efforts to embrace digitalisation, accelerate value-based finance, and advance financial wellbeing of Malaysians. At the time of writing, three digital bank applicants have begun operations. The remaining two digital banks have been issued licenses and will start offering financial products to the public in phases. This year, we will open the window for interested parties to apply for digital insurance and takaful licenses. Further progress was made in our efforts to combat financial scams. The National Fraud Portal launched in 2024 significantly improves the effectiveness of the National Scam Response Centre, allowing for quicker tracking of stolen funds, and thus increasing the prospect of fund recovery. In 2024, we made significant inroads in expanding cross-border payments. This includes further advancing Project Nexus – a coordinated regional effort to improve the speed, cost, transparency of and access to cross-border payments.

In making further progress in value-based finance, we are cultivating a more inclusive and sustainable financial system. Social finance continued to be scaled up through iTEKAD, the umbrella programme to assist low-income microentrepreneurs. To date, around 10,000 participants have benefitted, with many now transitioning from being zakat recipients to zakat contributors and becoming job creators within their local communities. On Islamic finance, I am proud to share that Malaysia continues to be recognised globally as having the most comprehensive ecosystem. I am confident that Malaysia's position and strength in advancing innovation and impact outcomes through Islamic finance instruments can be leveraged upon to further advance outcomes to realise a more dynamic, inclusive and sustainable development path, both domestically and globally. Aligned with the MIFC agenda, we aspire to strengthen international linkages and cooperation for Islamic finance, as currently being undertaken by BNM and through the MIFC Leadership Council (MLC). On green financing, we see growing demand and uptake of funds made under our Low Carbon Transition Facility and High Tech and Green Facility. Similarly, we saw further progress in the Greening Value Chain programme with over 150 SMEs having begun reporting emissions data. We are also encouraged to share that financial institutions are increasing their offering of green and transition related financing and solutions. These point towards the financial sector making steady progress in supporting Malaysia's orderly transition to a greener economy.

Headway was also made in advancing financial wellbeing. The tabling of the Consumer Credit Bill in Parliament this year and the subsequent formation of the Consumer Credit Commission will mark a new chapter in transforming the consumer credit regulatory landscape. In parallel, initiatives continue to progress to enhance and uplift financial literacy and capacity of the public. Findings from the Financial Capability and Inclusion Demand Side Survey 2024 highlight the urgent need to accelerate efforts to strengthen financial behaviours and attitudes given contemporary trends, including the growing use of digital financial services and continued cost of living challenges. We will draw on these insights to chart out the next chapter in our efforts to elevate financial literacy, including through the Financial Education Network's Second National Strategy for Financial Literacy.

The year also saw BNM and the financial industry work on efforts to promote the long-term sustainability and affordability of private medical and health insurance/takaful (MHIT). Notwithstanding the challenges involved in this endeavour,

renewed and sharpened attention on this matter has drawn focus of key stakeholders to address the root causes of elevated medical cost inflation. Indeed, this is a complex problem that requires the concerted action of all stakeholders across the healthcare ecosystem – including the Ministry of Health, private healthcare providers, as well as the insurance and takaful industry. I believe that through open and frank dialogue, as well as the willingness and strong resolve to act, we can collectively arrive at a feasible and sustainable solution to this complex and long-standing issue.

In tandem with efforts to build resilience and preserve the stability of the financial sector, BNM also continued to deliver a thorough regulatory and supervisory work programme. Efforts are underway to increase the financial sector's state of preparedness to manage crises. These include measures to affirm the resilience of Malaysia's financial market infrastructure. These are on top of efforts to preserve and strengthen the capital and liquidity positions of financial institutions. We have also continued to make steady progress in integrating climate-related risks into prudential regulation and supervision.

Looking ahead, the global economic and financial environment is subject to considerable uncertainties. These mainly reflect unfolding geopolitical developments surrounding both trade and non-trade restrictions. As a small and open economy, Malaysia is not insulated from these global developments.

Notwithstanding, our diversified economic structure and wide array of policies accords us the resilience and agility to navigate these headwinds. We are confident that the Malaysian economy will remain on a steady growth path, with inflationary pressures to remain broadly manageable. BNM is committed to ensure a stable macroeconomic and financial environment and will continue to ensure that its monetary policy framework remains relevant and effective against an evolving operating landscape. This serves to create a conducive backdrop for Malaysia to double down on its reform efforts to build a stronger economy for the future. With further inroads made on fiscal reforms, this allows for resources to be freed up for investments to strengthen social protection, education, and healthcare infrastructure, among others – reforms which will generate long-term dividends and secure sustainable and inclusive growth for future generations of Malaysians.

With Malaysia chairing ASEAN in 2025, the year presents the opportunity for the country to meaningfully contribute at the regional and global level. Against an increasingly polarised world, ASEAN's progressive and pragmatic path towards greater regional integration stands out. On our part, BNM will champion initiatives to advance the region's payments connectivity, sustainable finance, and regional safety nets.

While uncertainties remain on the global horizon, BNM will continue to faithfully discharge our mandate and build the trust of the rakyat. Joining me in this effort are my dedicated colleagues whose hard work and perseverance have enabled BNM to consistently deliver on our mandates, even in the face of challenges. On behalf of the Board and Management, I want to express my deep and sincere gratitude to all staff for their unwavering support and professionalism. Strengthening its core values of integrity, collaboration, diversity, and excellence continues to be a top priority of BNM, underpinned by our culture transformation journey. This is key to build and sustain a healthy workforce, which is BNM's most important asset. Complementing such efforts are initiatives to modernise our infrastructure, systems, and processes. We are also working hard to adopt more sustainable, climate resilient practices as an organisation and are proud to include our inaugural Scope 1 and 2 emissions disclosure in this year's report. This paves the way for our transition towards becoming a net zero organisation, in line with Malaysia's net zero aspirations.

I would also like to extend my gratitude to the Board of Directors for their invaluable support. With their guidance, BNM will continue to deliver the mandates entrusted upon our institution by the Malaysian public with uncompromising standards of professionalism and integrity – for the benefit of the people and the nation, for many generations to come.



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