



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Sidang Akhbar

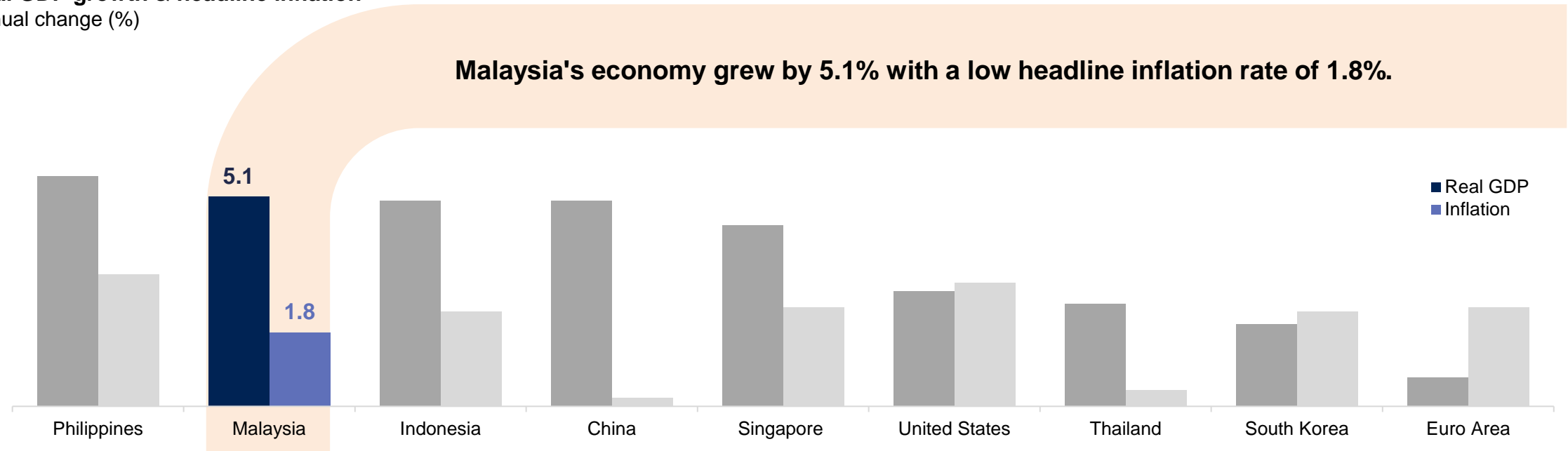
24 Mac 2025

20 | Laporan Tahunan BNM
24 | Tinjauan Ekonomi & Monetari
Tinjauan Kestabilan Kewangan Separuh Kedua



In 2024, Malaysia achieved strong economic growth with low and stable inflation

Real GDP growth & headline inflation
Annual change (%)



Growth was driven by resilient consumption, robust investments and rising exports

Private consumption: 5.1%
(2023: 4.7%)

Total investments: 12.0%
(2023: 5.5%)

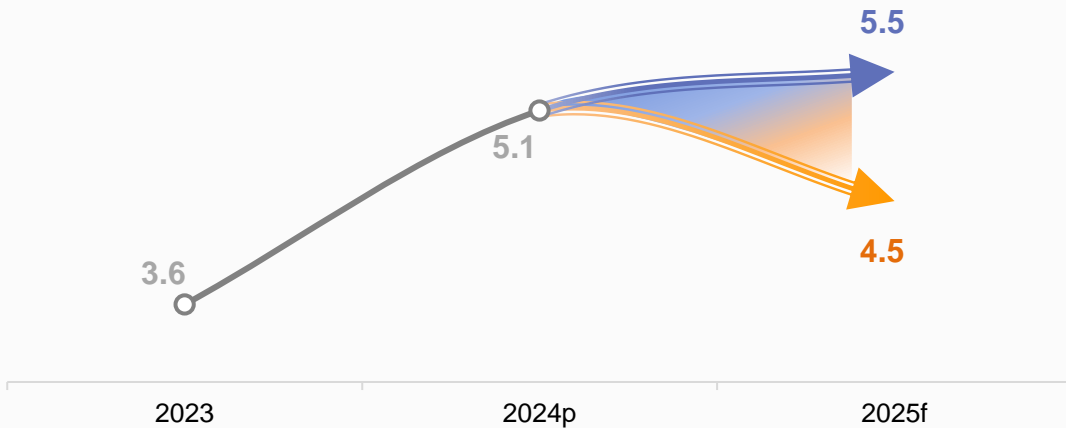
Exports: 8.5%
(2023: -8.1%)

Source: National authorities

Resilient growth amid manageable inflation in 2025

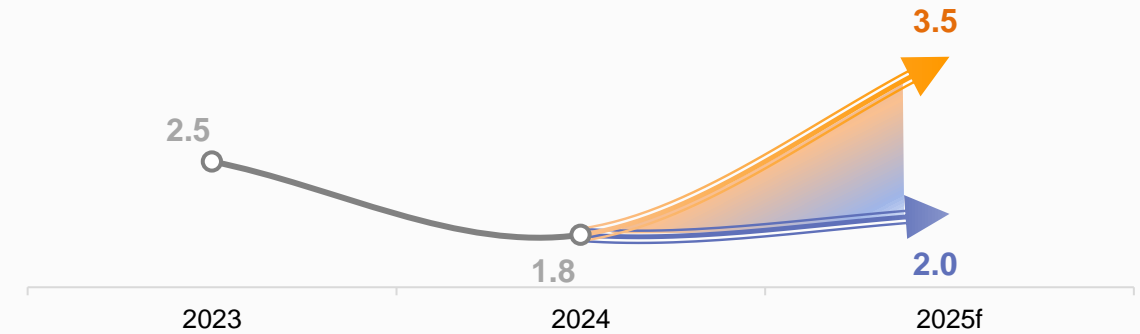
Economic growth projected at 4.5 - 5.5%...

Real GDP Growth
Annual change (%)



...with headline inflation averaging 2.0 - 3.5%

Headline Inflation Growth
Annual change (%)



Factors driving outlook for growth

- Higher household spending
- Robust expansion in investment activity
- Moderate expansion in exports

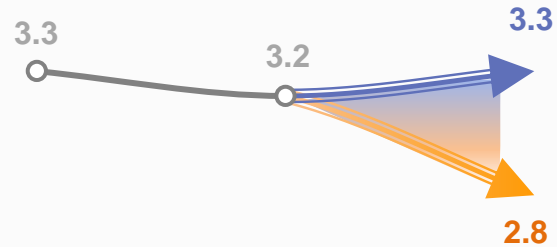
Factors driving outlook for inflation

- Easing global cost conditions
- Absence of excessive demand pressure
- Implementation of announced domestic policy measures (e.g. SST expansion, minimum wage revision, RON95 subsidy rationalisation)

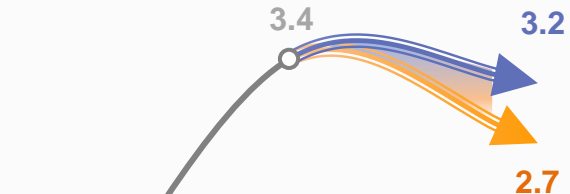
^p preliminary, ^f forecast
Source: Department of Statistics, Malaysia

Global growth is projected to grow between 2.8% to 3.3%

Global Real GDP Growth
Annual change (%)



Global Trade
Annual change (%)



Fundamental drivers of global growth remain

- ✓ Positive labour market conditions
- ✓ Moderating inflation and monetary policy easing
- ✓ Global technology upcycle

...but headwinds could arise from:

- ▶ More severe trade restrictions
- ▶ Escalation in geopolitical conflicts
- ▶ Tighter financial conditions

^e estimate, ^f forecast

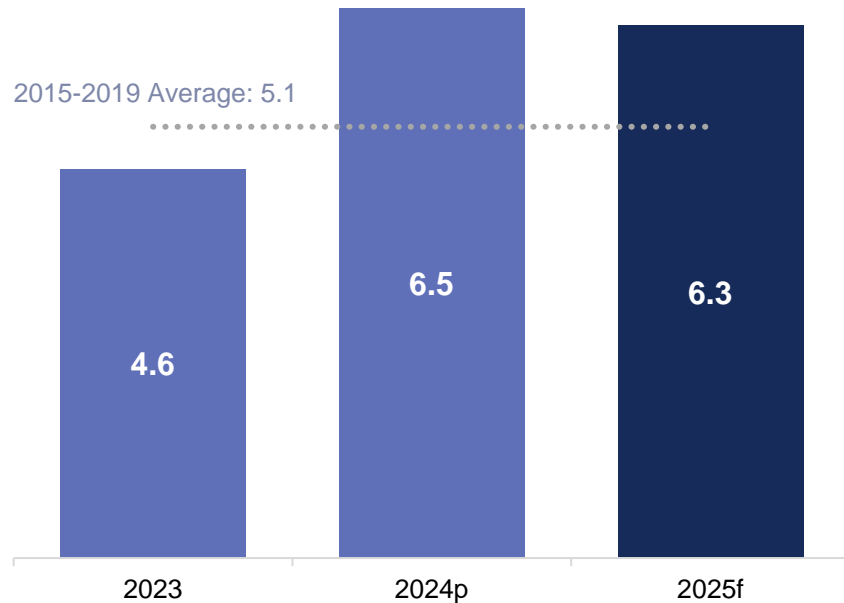
Note: 2025 global growth and global trade forecast range are based on Bank Negara Malaysia's estimates

Source: International Monetary Fund (IMF) World Economic Outlook (WEO) Jan 2025, Bank Negara Malaysia estimates



Despite external uncertainties, domestic demand will support growth

Domestic Demand Growth Annual change (%)



^p preliminary, ^f forecast

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

Key Growth Drivers

Private Consumption

- Higher income prospects
- Improving labour market conditions
- Healthy household balance sheets providing buffers

Private Investment

- Investment upcycle
- High realisation rates of approved investments
- Implementation of national master plans

Public Sector

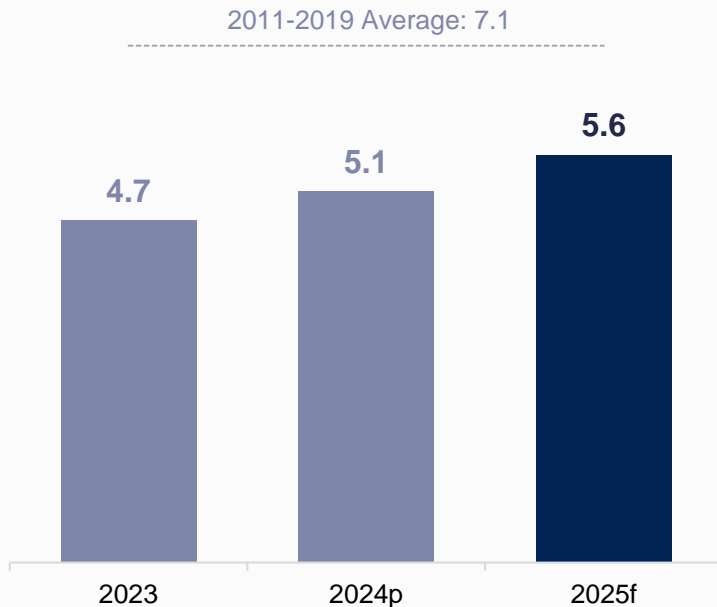
- Civil servant salary adjustment
- Continued progress of public infra projects



Higher household spending driven by improving income, policy measures...

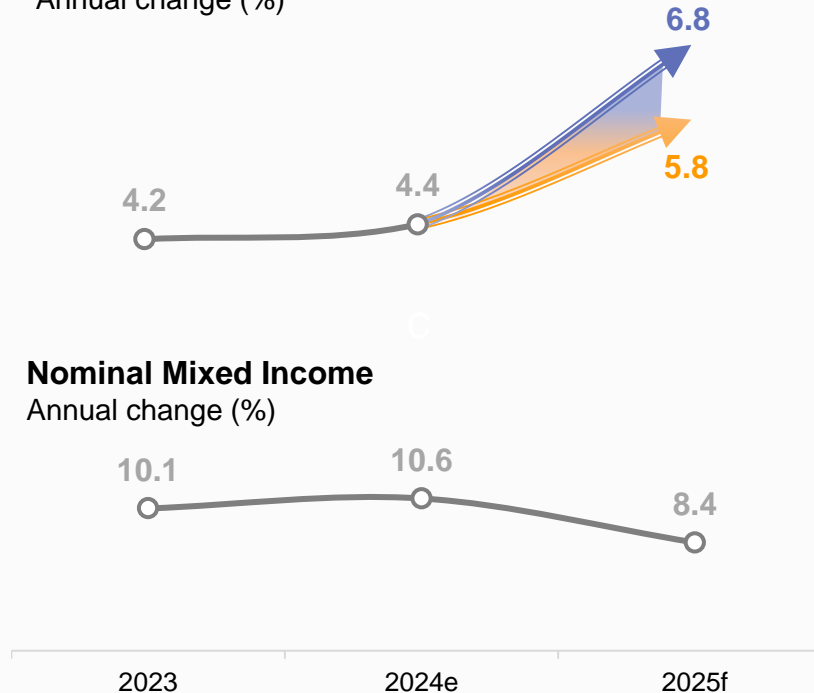
Continued household spending...

Real Private Consumption
Annual change (%)

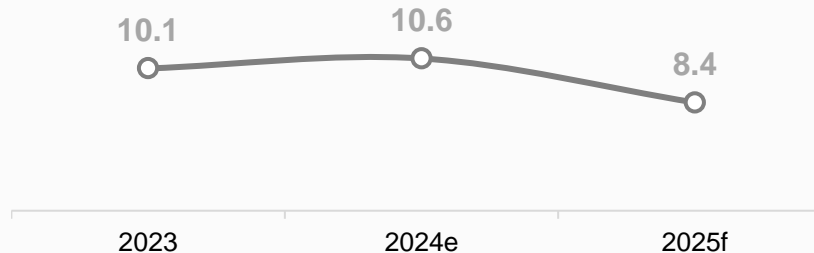


...driven by positive income prospects...

Nominal Compensation of Employees, COE¹
Annual change (%)



Nominal Mixed Income
Annual change (%)



...and supportive income-related government policy measures

- 1 **Salary increment for civil servants**
RM10 billion allocation for Dec 2024 to Dec 2025
- 2 **Higher minimum wage**
From RM1,500 to RM1,700
- 3 **Progressive wage model**
RM200 million allocation covering 50,000 workers

¹ COE: Compensation of employees comprises employees' remuneration in cash such as salary and bonuses or in-kind including staff accommodation and social contribution paid by employers. Nominal mixed income uses MOF projection.

^p preliminary, ^e estimate, ^f forecast

Source: Department of Statistics, Malaysia, Bank Negara Malaysia, Ministry of Finance, Ministry of Human Resources estimates

...and continued improvement in labour market conditions

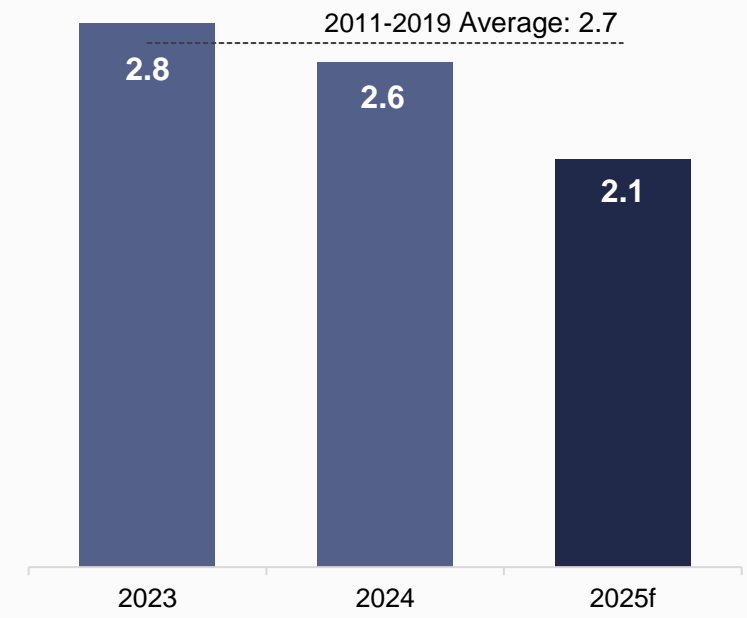
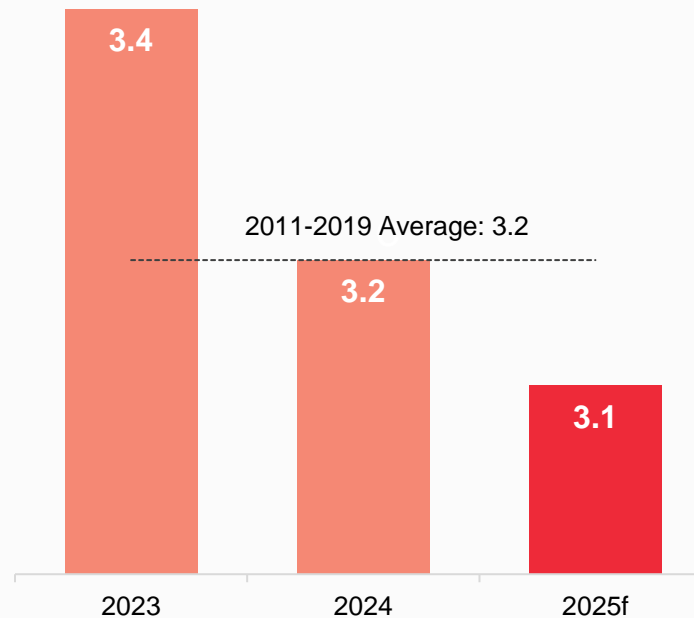
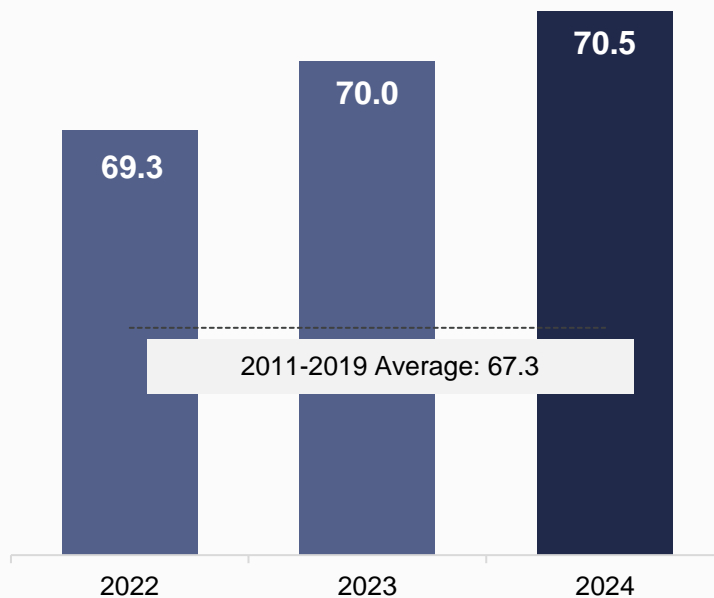
Labour participation continues to rise...

...while unemployment rate to decline further amidst continued employment growth

Labour Force Participation Rate
% of working age population

Unemployment rate
% of labour force

Employment Growth
Annual change (%)



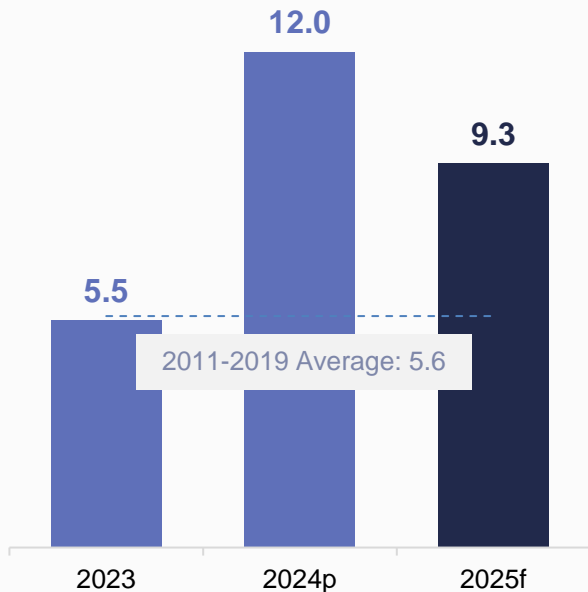
^f forecast

Source: Department of Statistics Malaysia, Bank Negara Malaysia estimates

Investment activity to be driven by realisation of new and existing projects

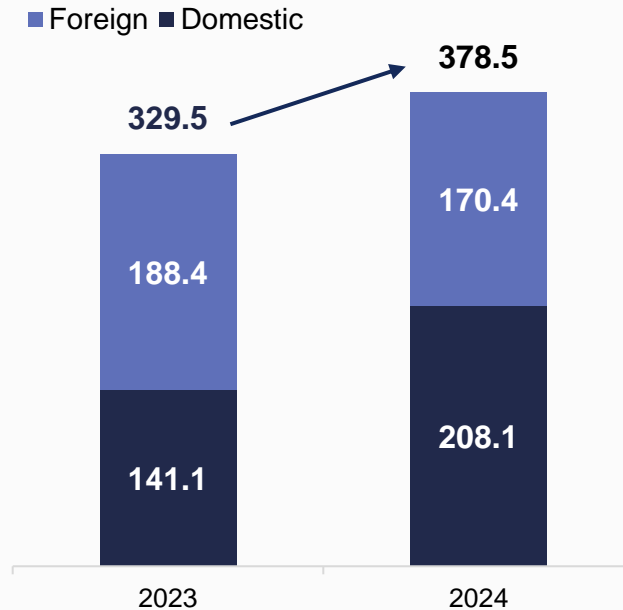
Strong investment growth...

Real Gross Fixed Capital Formation
Annual change (%)



...driven by positive investor sentiment, high investment intentions...

MIDA: Total Approved Investment by Domestic vs. Foreign Investment
RM billion



...and realisation of new and existing private and public sector projects¹

Notable Private Projects



YTL-Nvidia
RM20.0 bil



EVE Energy
RM6.8 bil



Chery
RM1.4 bil

Notable Public Projects



Mutiara Line LRT
RM10 bil
(2025-2030)



Pan Borneo Highway (Sabah) Phase 1b
RM9.7 bil
(2025-2029)



Hybrid-Hydro Floating Solar
RM9 bil
(2024- 2040)

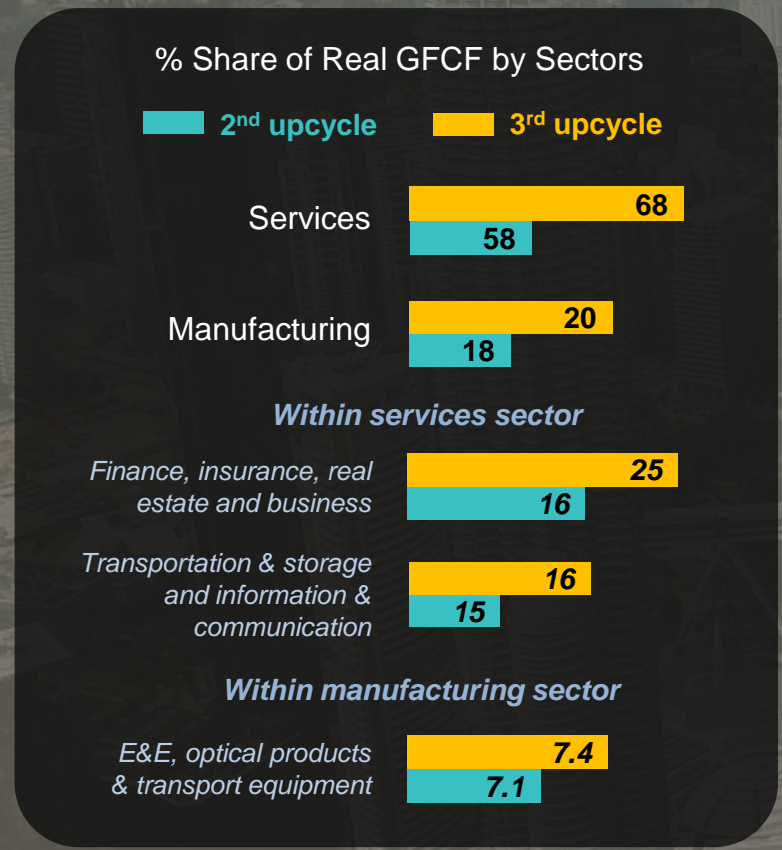
¹ The list is not exhaustive.

^p preliminary, ^f forecast

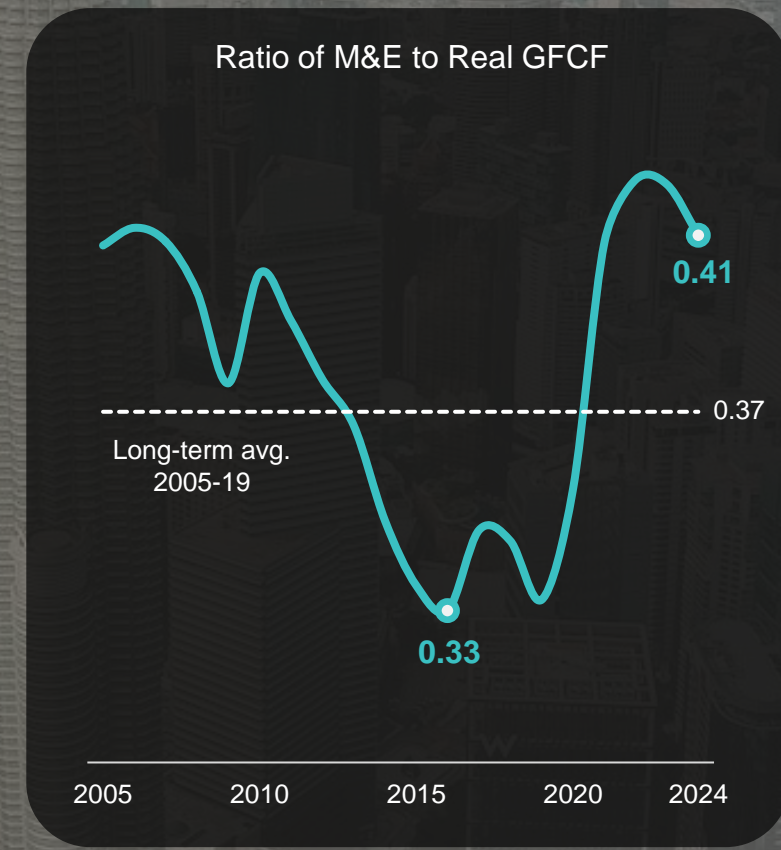
Source: Department of Statistics, Malaysia, Malaysian Investment Development Authority, newsflows, Bank Negara Malaysia estimates

Malaysia's third investment upcycle characterised by high quality investments

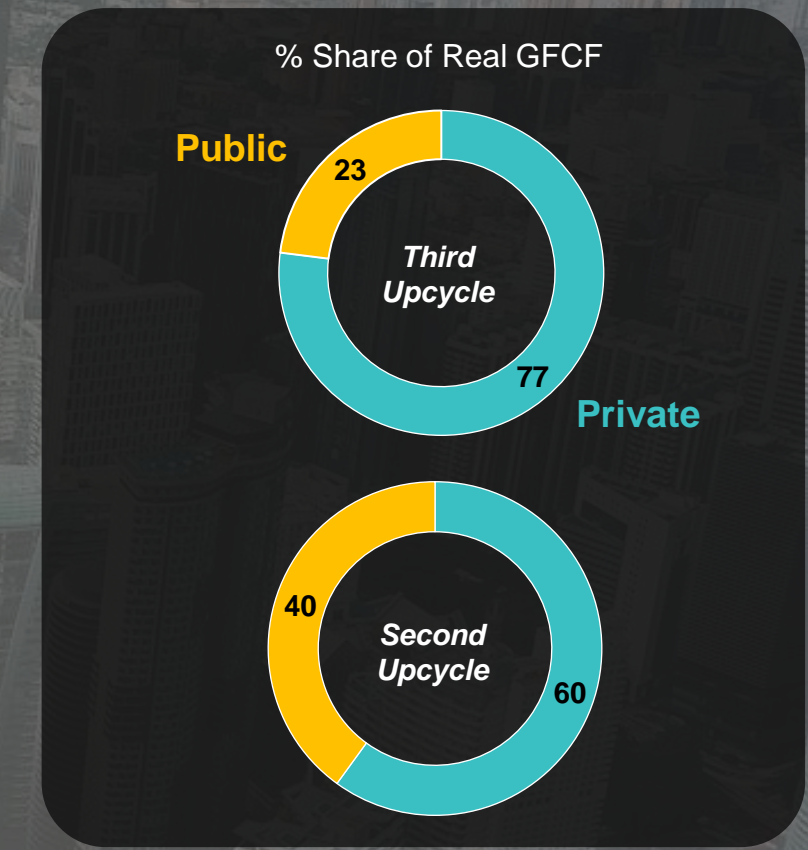
1 Shift towards high value-added services & manufacturing activities



2 Increased share of machinery & equipment investments



3 Greater role of private sector in driving investments



Note: Second upcycle refers to the 2011-15 period, while third upcycle refers to mid-2023 onwards. Where there are data constraints, comparisons are conducted using only 2023 data for the third upcycle.
 Source: Department of Statistics, Malaysia, Haver, Bank Negara Malaysia estimates

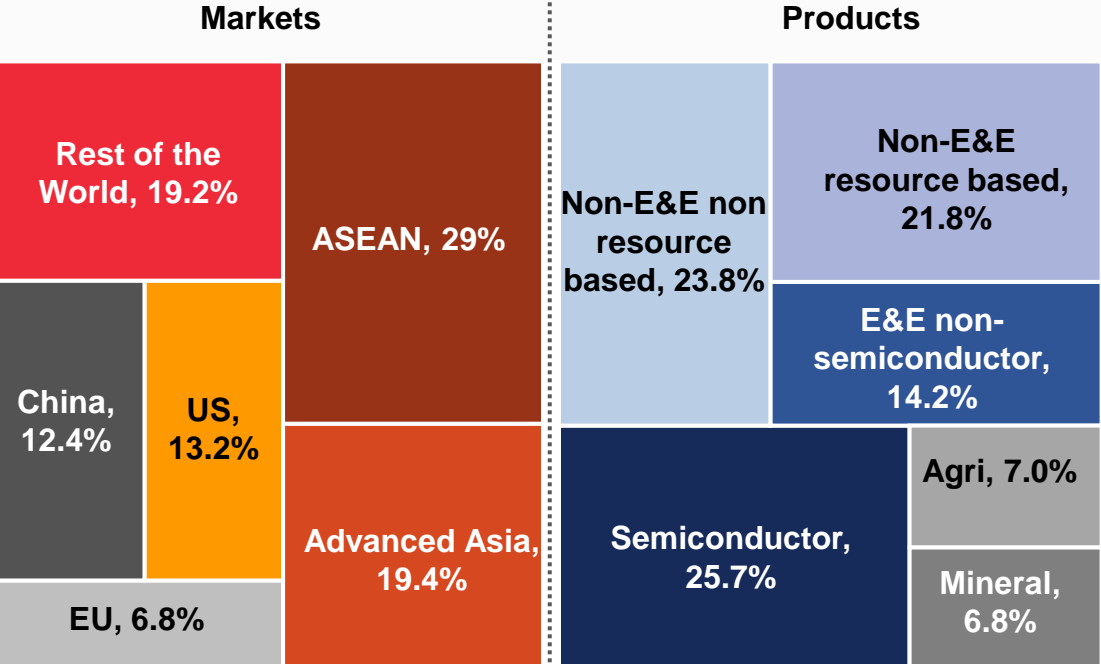
Exports to expand at a moderate pace amid global uncertainties

Diversified export products and markets will cushion Malaysia against external shocks

Exports growth to be driven by manufactured goods and increased tourism receipts

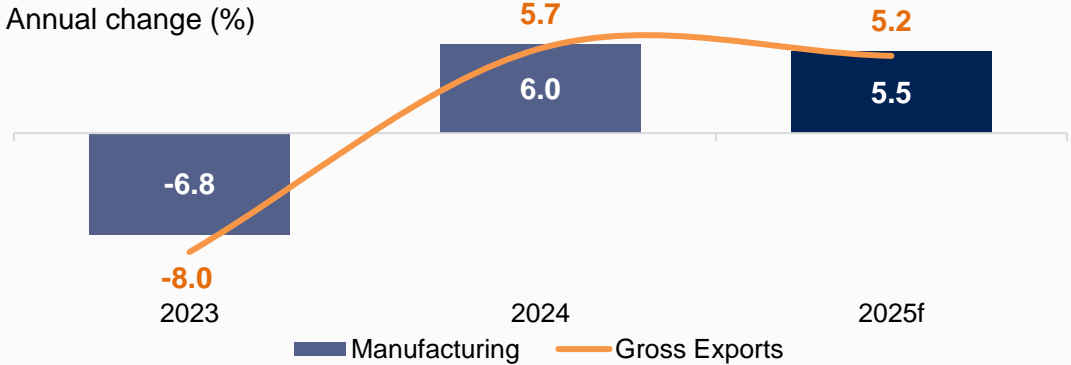
Export by Products and Markets (2024)

% share of Total Exports



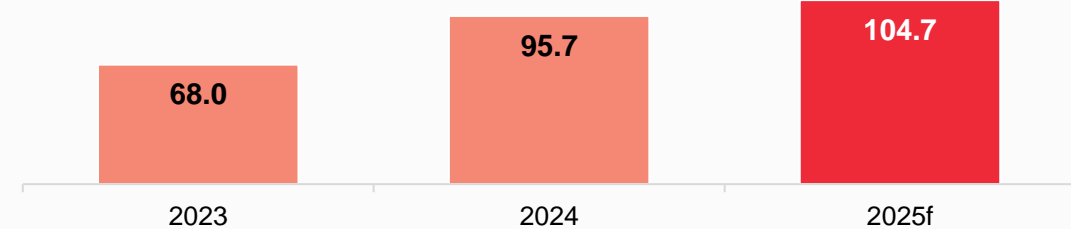
Gross Exports Growth

Annual change (%)



Travel Receipts

RM billion



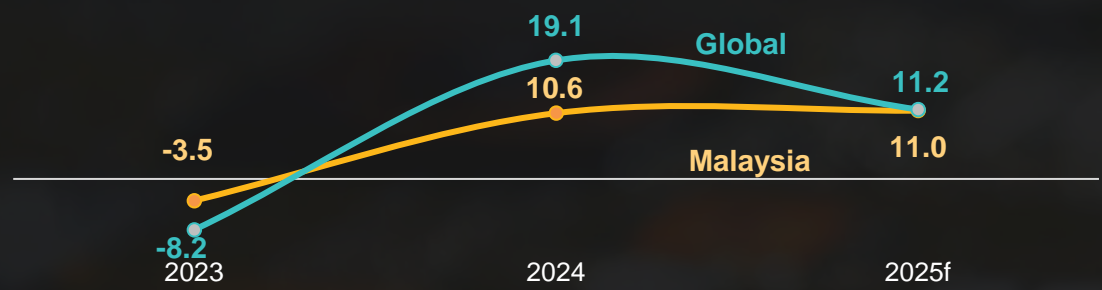
Advanced Asia: Japan, Korea, Taiwan, Hong Kong
 ASEAN: Singapore, Thailand, Indonesia, Philippines, Brunei, Vietnam, Cambodia, Myanmar, Laos
 f forecast

Source: Department of Statistics, Malaysia, Bank Negara Malaysia

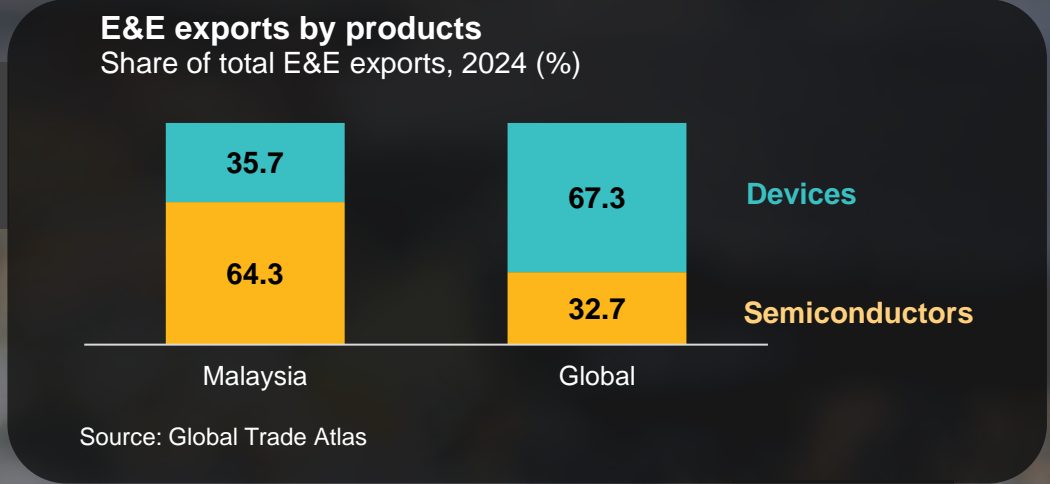
Malaysia's E&E exports to remain resilient amid global demand for semiconductors and devices

1 Focus on semiconductors, the brain of electronics

Global and Malaysia-implied WSTS Semiconductor Sales Forecast
Annual change (%)



f Forecast
 Note: Malaysia-implied WSTS semiconductor forecast is the aggregate WSTS global semiconductor forecast by product weighted by Malaysia's semiconductor export shares by product in 2024.
 Source: World Semiconductor Trade Statistics and Bank Negara Malaysia estimates



2 Exports will continue to benefit from the ongoing global tech upcycle

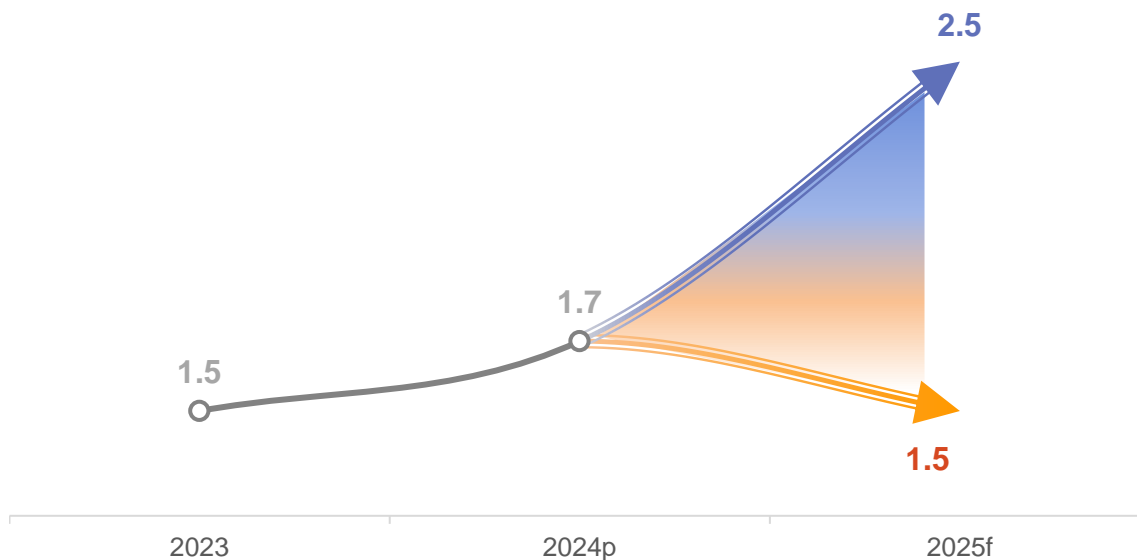
3 Malaysia must pursue the right strategies to compete in the global semiconductor race

- 1 Invest in E&E ecosystem enhancement
- 2 Pragmatic labour market and immigration reforms
- 3 Pursue research, development, commercialisation and innovation (RDCI) strategies

Current account surplus to range between 1.5% – 2.5% of GDP in 2025

Improvement driven mainly by higher goods surplus and lower services deficit

Current Account Balance
% of GDP



^p preliminary ^f forecast

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

Key factors affecting the CAB in 2025

- ▲ Continued tech upcycle sustaining E&E demand
- ▲ Improving inbound tourism and travel receipts
- ▲ Higher inward income repatriation
- ▼ Continued reliance on imports
- ▼ Trade restrictions and geopolitical uncertainties

Policy focus in place by the Government includes¹:

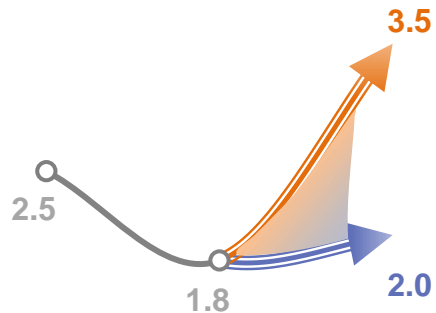
- 1 Enhance export competitiveness
- 2 Reduce import reliance
- 3 Advance tourism sector

¹ Successful implementation of policies embedded in existing reforms and measures, such as the National Semiconductor Strategy and Visit Malaysia 2026 is expected to continue supporting CA surplus

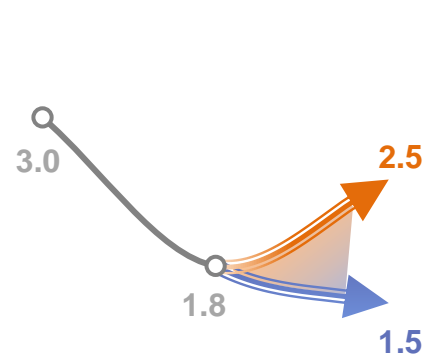
Headline and core inflation expected to remain manageable

Headline and core inflation to remain manageable, but with some potential upside from domestic policy measures

Headline Inflation
Annual change (%)



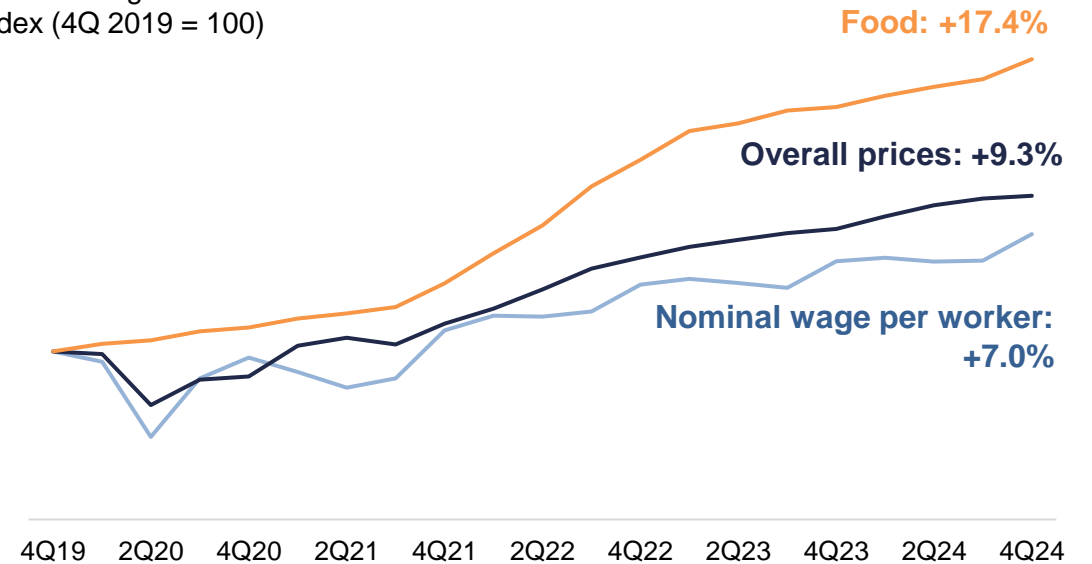
Core Inflation
Annual change (%)



However, cost of living remains a key issue due to slow wage growth post pandemic

Consumer Prices and Wages

Cumulative growth between 4Q 2019-4Q 2024
Index (4Q 2019 = 100)



Worse for B40 as they spend 52% of their income on basic necessities
(M40: 37% of income; T20: 32%)

^f forecast

Source: Department of Statistics, Malaysia

Source: Department of Statistics, Malaysia, Household Income and Expenditure Survey 2022

The growth and inflation outlook are subject to risks

Growth outlook is subject to considerable external uncertainties...

- ▲ Higher external demand from successful trade negotiations and pro-growth policies
- ▲ Greater positive spillovers from global tech upcycle
- ▲ More robust tourism
- ▲ Faster implementation of investment projects

- ▼ More restrictive trade policies and stronger retaliatory measures
- ▼ Escalation of geopolitical conflicts
- ▼ Weaker business and consumer confidence
- ▼ Lower-than-expected commodity production

...meanwhile the risks to inflation remain manageable

- ▼ Smaller-than-expected cost passthrough from policy measures
- ▼ Larger moderation in commodity prices

- ▲ Larger-than-expected spillovers from policy measures
- ▲ Higher external cost amid geopolitical developments



Monetary policy will remain focused on maintaining price stability conducive for sustainable economic growth

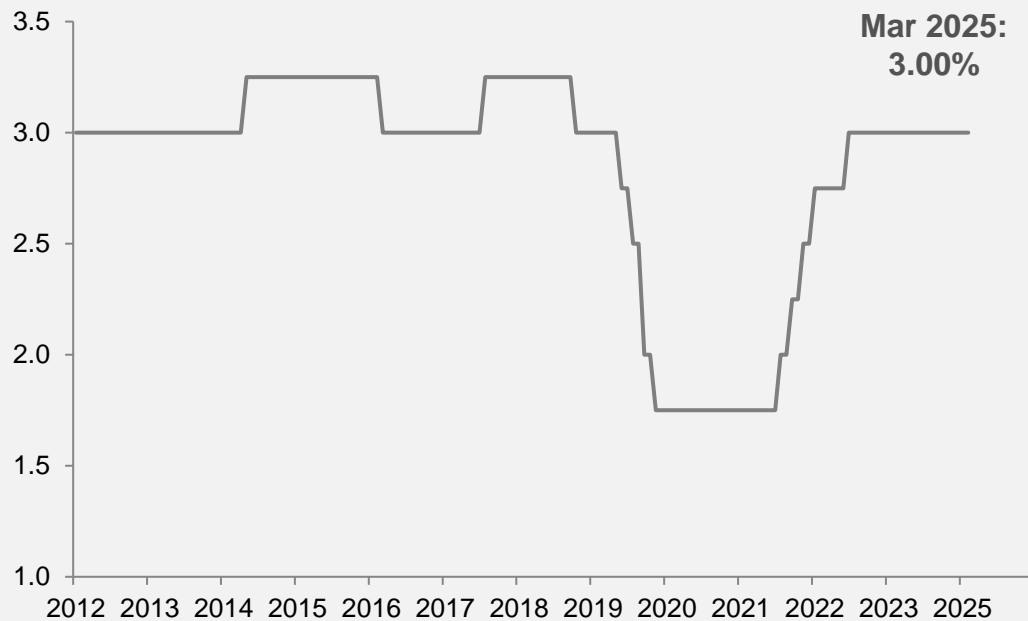
2024

OPR maintained at 3.00%, amid positive economic prospects and modest inflation

2025

Monetary policy will continue to facilitate sustainable economic growth while managing potential risks to inflation

Overnight Policy Rate
%



Source: Bank Negara Malaysia



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1

Against the uncertain backdrop, MPC remains vigilant to global developments and its impact on Malaysia's economy

2

Monetary policy will focus on the medium-term prospects of Malaysia's economy

3

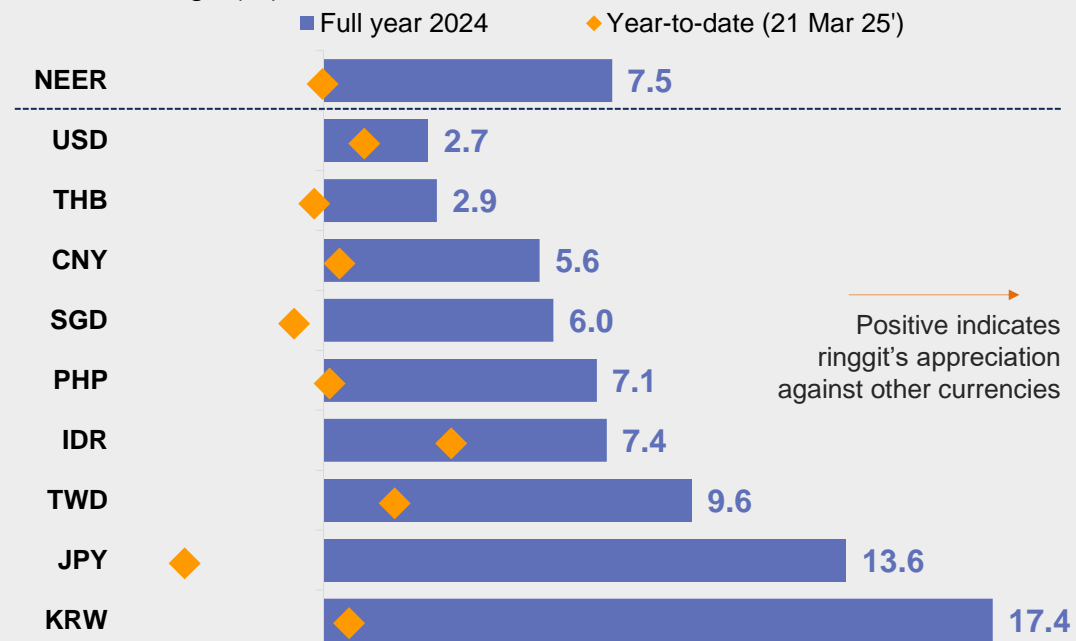
Monetary policy will continue to balance the risks to domestic inflation and economic growth outlook

The ringgit strengthened in 2024, facing more balanced risks in 2025

2024 Ringgit strengthened against major currencies

Performance of the Ringgit Against Other Selected Major Currencies

Annual change (%)



Note: NEER refers to the ringgit nominal effective exchange rate.

Source: Bank Negara Malaysia and Bloomberg. Exchange rates are derived from the daily noon rates.

2025 Risks affecting the ringgit

Factors supporting ringgit

- ▲ Narrowing interest rate differentials between Malaysia and advanced economies
- ▲ Strong domestic growth
- ▲ Domestic structural reforms

Factors weakening ringgit

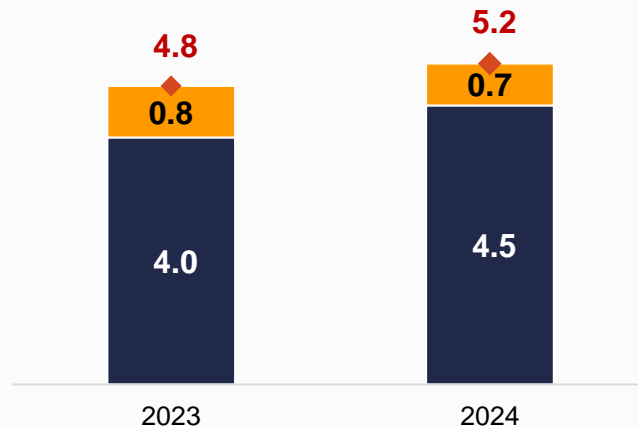
- ▼ Fewer US policy rate cuts
- ▼ US tariff and trade restrictions
- ▼ Rise in geopolitical tensions

Financing conditions supportive of economic activity

Credit to private non-financial sector continued to expand...

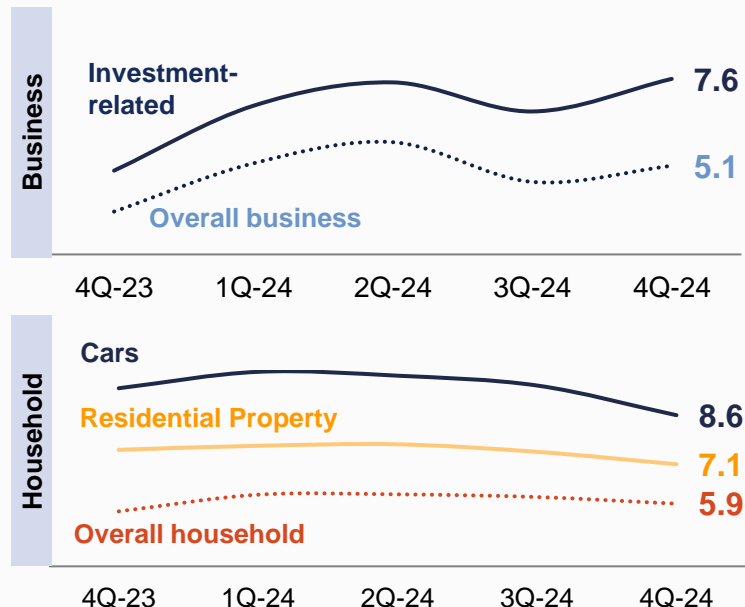
Credit to private non-financial sector Annual Change (%) / Cont. to growth (ppt)

- Outstanding corporate bonds
- Outstanding loans
- ◆ Credit to the private non-financial sector



...amid sustained growth in business and household loans

Outstanding business and household loan growth Annual Change (%)



Financing conditions to remain supportive of economic activity

- 1 Banks' willingness to lend amid healthy liquidity and capital buffers
- 2 Sustained credit demand and repayment ability amid better households' income and business performance
- 3 Supportive financing rates

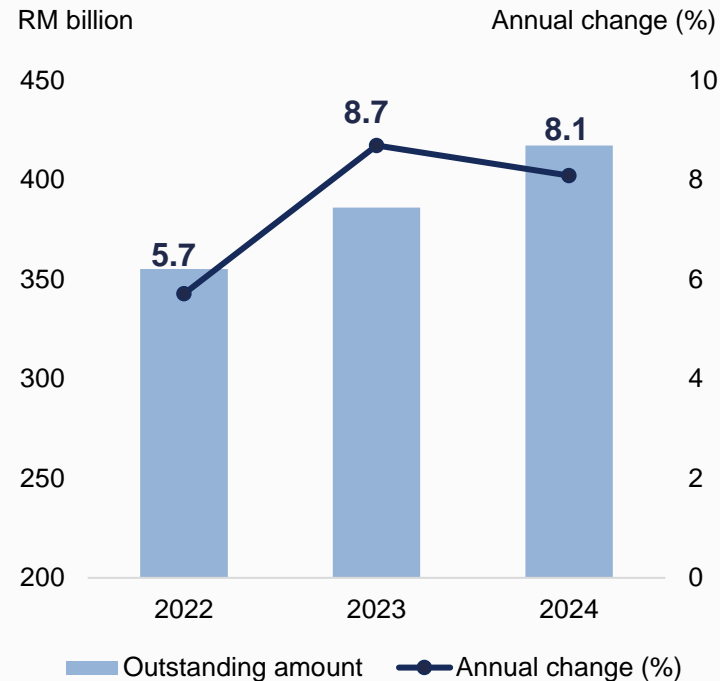
Note: The figure on outstanding loans reported here under credit to the private non-financial sector also includes loans to households extended by major non-bank financial institutions (NBFIs). This is in addition to the sum of outstanding business and household loans extended by banks and development financial institutions (DFIs). Outstanding corporate bonds include conventional and Islamic short-term papers in addition to longer-term bonds and sukuk, and excludes issuances by Cagamas, government, financial institutions, and NBFIs.

Source: Bank Negara Malaysia

Banks remain supportive of SMEs' financing needs

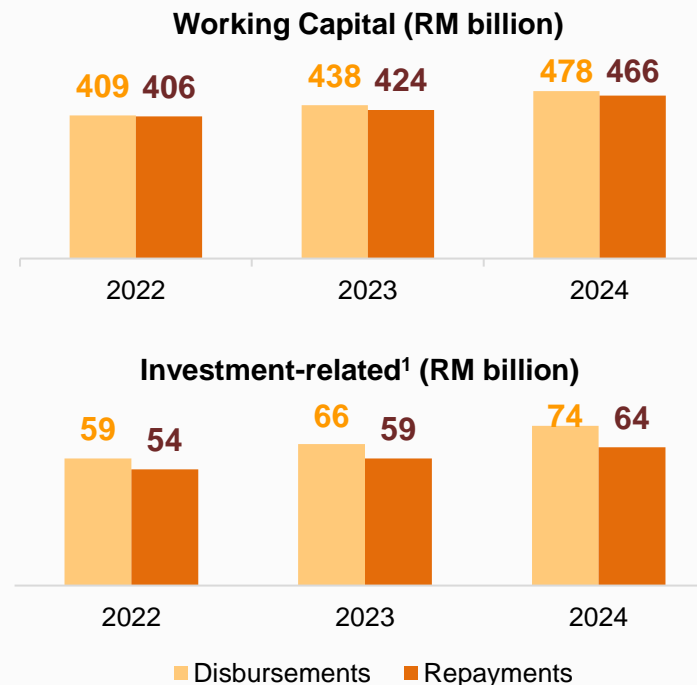
Continued growth of SME outstanding financing

SME Financing: Outstanding

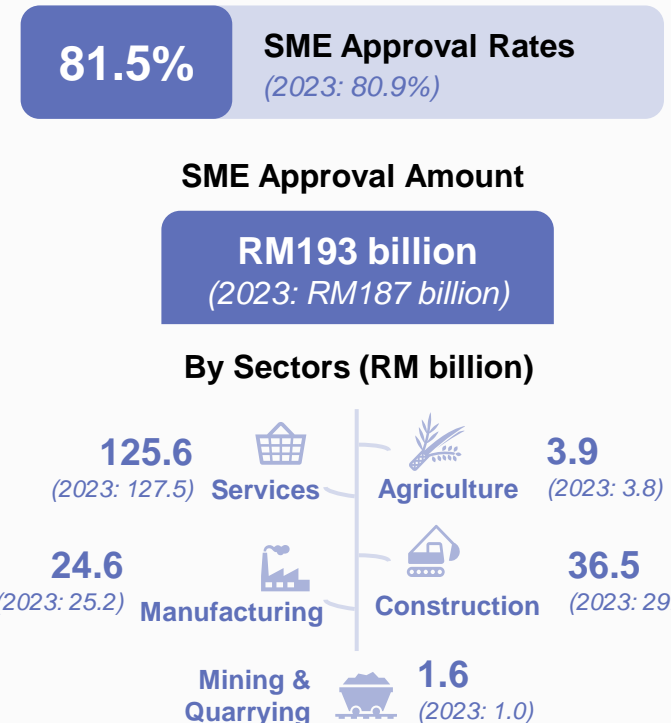


Sustained disbursements and repayments across purposes

SME Financing: Disbursements & Repayments



Approval rates remained stable at >80%



¹ Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (incl. cars), and construction activity.

Note: Reflects loan/financing from the banking system and development financial institutions (DFIs)

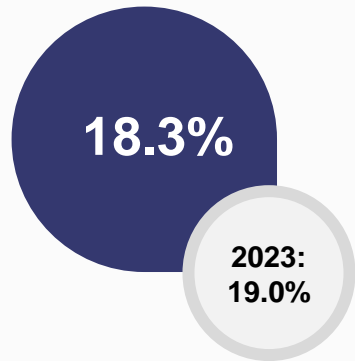
Source: Bank Negara Malaysia

Banks' capital and liquidity positions remain sound

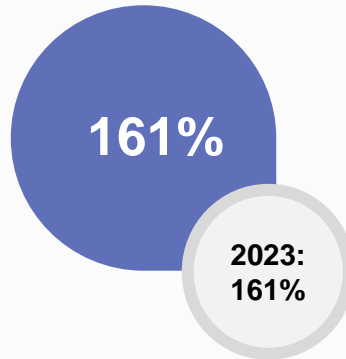
Banks continue to maintain strong liquidity and capital buffers

Banking System: Key Indicators (as at Dec'24)

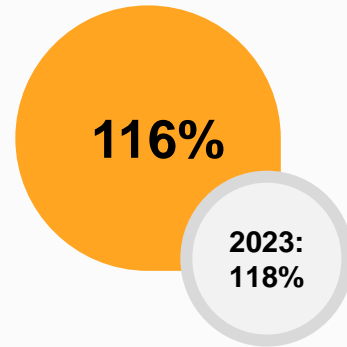
Total Capital Ratio



Liquidity Coverage Ratio (LCR)

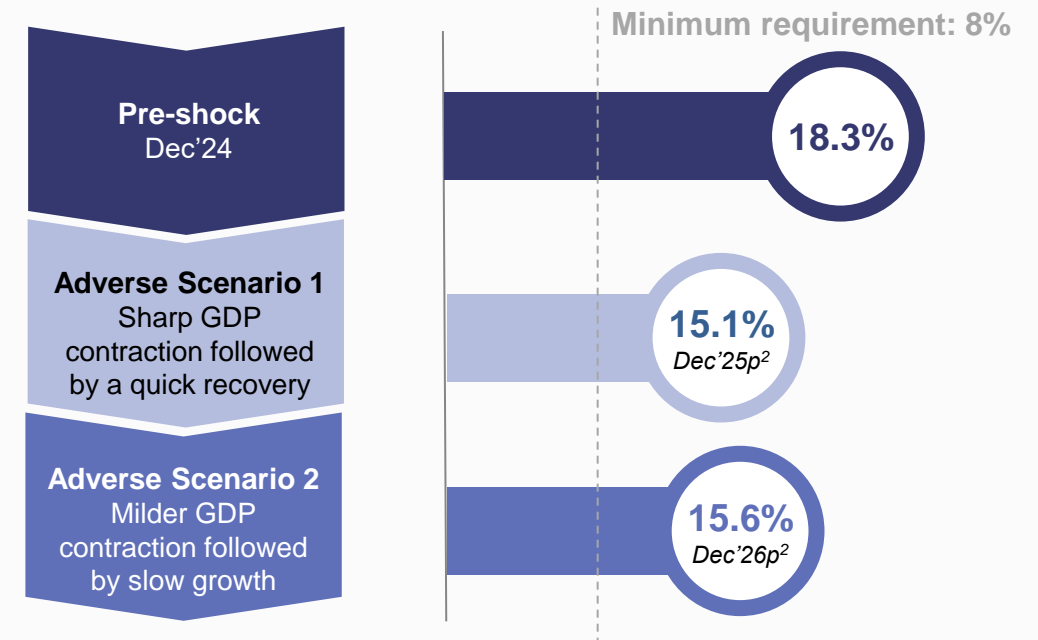


Net Stable Funding Ratio (NSFR)



The banking sector remains resilient even under severely adverse scenarios (AS)¹

Banking System: Total Capital Ratio under Macro Stress Tests



^p Projected

¹ The scenarios are more severe than the 2008 Global Financial Crisis and the 2020 pandemic. These scenarios are unlikely to materialise. They have been developed specifically for stress testing purposes and do not represent the Bank's actual expectations for economic trajectory.

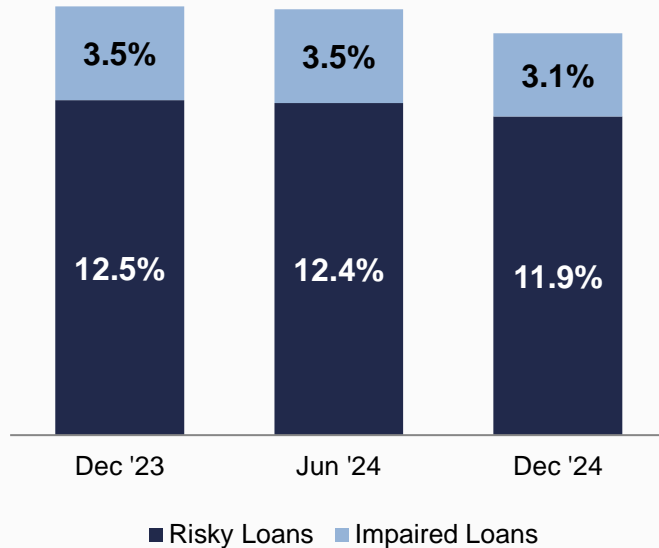
² Refers to the lowest level of total capital ratio across the 3-year stress test horizon.

Source: Bank Negara Malaysia

Repayment capacity of businesses and households remain preserved

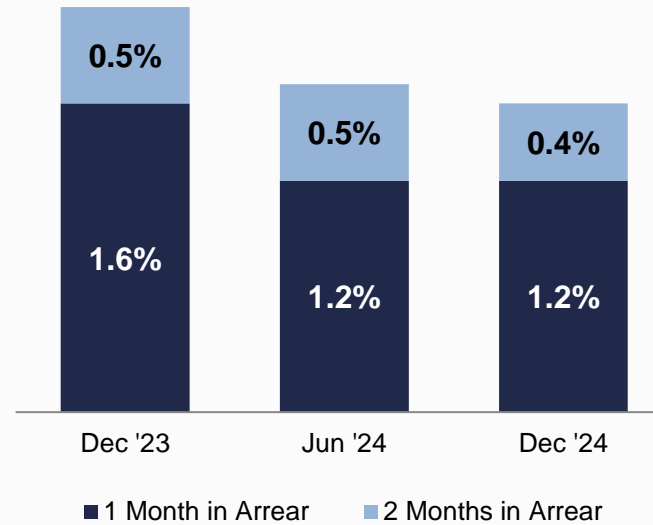
Overall businesses' repayment capacity has improved

Share of Risky¹ and Impaired Loans
% of Total Business Loans



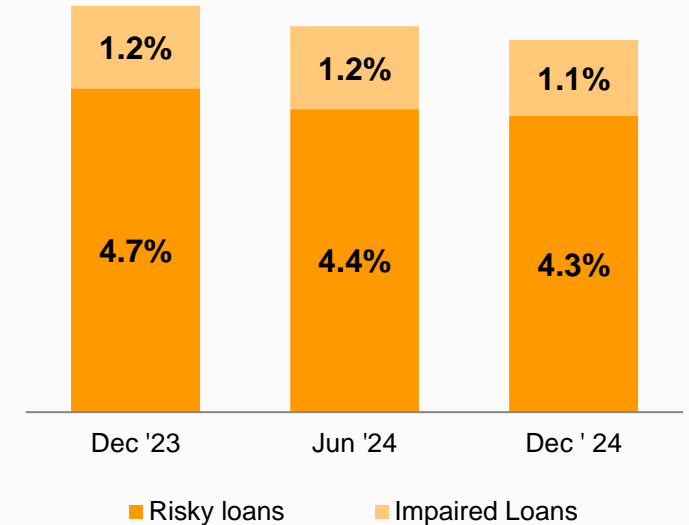
Most SMEs continue to be able to service their debt

Share of SME Missed Repayments
% of Total SME Loans



Households' asset quality improved further

Share of Risky and Impaired Loans
% of Total Household Loans



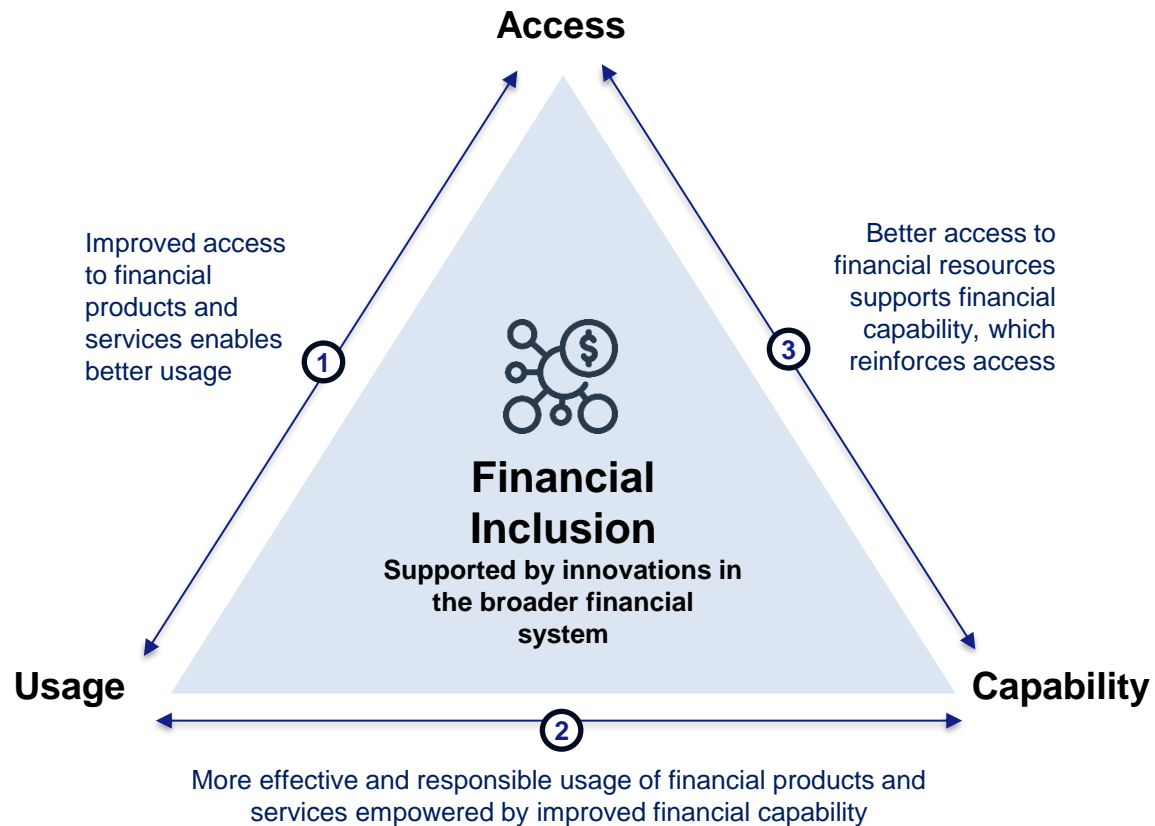
¹ Refers to loans classified as Stage 2 as a percentage of total business or household loans. Stage 2 loans refer to exposures that have exhibited deterioration in credit risk, for which banks are required to set aside provisions based on lifetime expected credit losses under Malaysian Financial Reporting Standard 9.

Source: Bank Negara Malaysia

Financial capability and inclusion in advancing financial well-being

Financial Inclusion Framework KPIs:

3 key themes to guide financial inclusion efforts



2nd National Strategy for Financial Literacy:

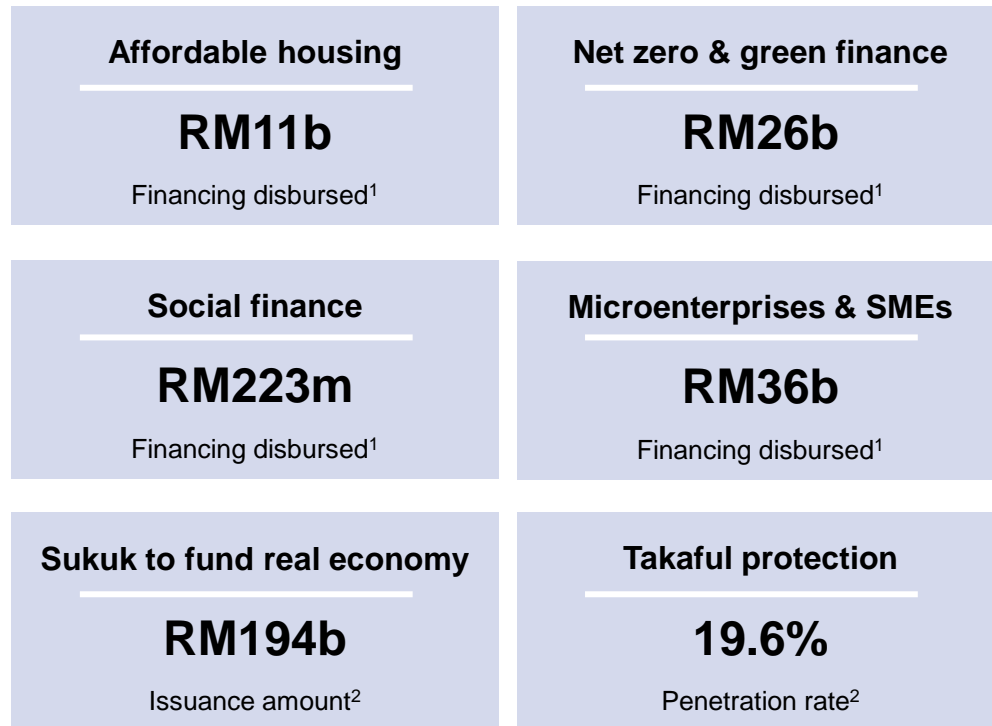
Holistic roadmap to elevate financial capability

Strategic Priorities (SPs)

| | |
|-----|--|
| SP1 | Promote wise financial planning and preparation for retirement |
| SP2 | Foster smart and responsible debt management |
| SP3 | Secure financial future with risk protection |
| SP4 | Promote safe, confident and meaningful usage of digital financial services |
| SP5 | Encourage investments for wealth creation |

Scaling-up value-based finance to support socio-economic development

Islamic finance offers distinct value propositions to support socio-economic developments



¹ data as at end 2023

² data as at end 2024

Source: Bank Negara Malaysia, AIBIM's Value-based Intermediation Report

Efforts are directed towards scaling up value-based innovation

- 1 Enabling regulatory environment for innovation in business models and financial structures**
(example; Shariah contract framework, Investment Account, broader Ta'awun)
- 2 Facilitating avenues to test-and-learn**
(example; pilot initiatives under Budget 2025, regulatory sandbox initiatives)
- 3 Strengthening implementation**
(example; impact reporting, capacity building)

Strengthening digital payment safety and soundness to boost payment adoption

Efforts to combat scams showing positive outcomes and will be intensified, particularly on consumer protection:



52%

Cases of phishing and malware fraud transactions reported to BNM



75%

Time taken to trace stolen funds with complete information

Ensuring Fair Treatment for Victims of Unauthorised e-Banking Transactions

Investigation

- 1 Prompt case management with support to ease victims' financial burden
- 2 Objective and independent case review process
- 3 Greater transparency, including on outcome of investigation

Compensation

Financial institution

Consumer

Ensure effective fraud detection & prevention capabilities

Protect personal credentials, security details and devices

Compensation allocation guided by joint accountabilities



Financial sector making further progress in supporting climate finance

Positive progress in advancing climate initiatives

out of 66 financial groups

100% have a dedicated department or cross-departmental setup for sustainability

83% developed sustainability strategies and frameworks, and have set climate targets

95% reflected climate risk in Risk Appetite Statement

79% offer green products and solutions

- 1** > **RM240b** financing committed for ESG
- 2** > **RM1.8b** High Tech and Green Facility approved
- 3** > **RM800m** Low Carbon Transition Facility approved
- 4** > **400 SMEs** received technical training on GHG emission measurement and reporting under Greening Value Chain pilot programme, of which 150 SMEs have begun measuring and reporting their emissions data

Joint Committee on Climate Change (JC3) will continue to serve as primary platform for driving collaboration and strategic initiatives including supporting the execution of national policies and roadmaps



Futureproofing Malaysia's key financial infrastructures for greater efficiency and resilience

Domestic

- **Regulatory Sandbox**
Testing of innovations in a conducive and controlled environment
- **RENTAS Modernisation**
Futureproofing of RENTAS to ensure it is fit-for-purpose
- **Project Mawar**
Exploration of domestic wholesale CBDC and DLT¹ to futureproof key payment infrastructure
- **Asset Tokenisation exploration**
Exploration of tokenisation use cases to derive efficiency gains for the financial sector

Cross-border

- **Project Nexus**
Establishment of a live multilateral payment network for faster and seamless cross-border payments.
- **Cross-border wholesale CBDC-related explorations**
Exploration of CBDC and other innovative solutions to address key frictions in the cross-border space e.g. compliance, FX, and settlement inefficiencies.

¹ Refers to distributed ledger technology for which blockchain is the most prominent form



Imperative to uphold momentum in advancing deeper structural reforms

Reform Measures Undertaken in 2024

1

Retargeting fiscal assistance
(e.g., diesel, electricity & water)

2

Targeting quality investments
(e.g. National Semiconductor Strategy)

3

Increasing wages
(e.g. minimum wage, civil servant salary review, progressive wage policy)

Areas for Deep Reforms

1

Cost of living
Broader reforms focused on creation of quality and high-paying jobs

2

Social protection
Inclusive safety nets for the vulnerable segments via a targeted and data-driven benefits system

3

Education & healthcare
Prioritising public expenditure to raise the quality of the education and health system

4

Quality investments
Follow-through of ongoing reforms (e.g., NIMP 2030 & NETR) to elevate industries up the global value chain



Whole of nation approach to expedite reforms to address medical cost inflation

Rising MHIT premiums is a symptom of medical cost inflation

Reforms are critical to secure sustainable access to MHIT protection

Medical inflation trend
Annual change (%)



Source: AON Global Medical Trend Rates Report

5 Strategic Thrusts

- 1 Greater price transparency:**
Display retail drug prices and publish price ranges for common healthcare services
- 2 Improved provider payment mechanism:**
Implement Diagnosis-Related Groups (DRGs) to replace existing fee-for-service mechanism
- 3 Transforming MHIT offerings:**
Develop base MHIT product to support value-based healthcare services
- 4 Cost effective options:**
Through MOH's Rakan KKM and expansion of not-for-profit hospitals
- 5 Digital health:**
Enhance interoperability of Electronic Medical Records (EMR)

16 box articles across AR, EMR and FSR publications

1

Economic and Monetary Policy

- Supply Shocks and Implications for Monetary Policy
- Curbing Inflation, Easing Costs: The Policy Perspective
- Drivers of Malaysia's Current Account of the Balance of Payments in the Post-COVID Period
- The Drivers of the Ringgit

2

Digitalisation and Sustainability

- Navigating the Future of Digital Money
- Building a United Front Against Online Fraud Risk
- Navigating the Financial Sector's Transition to the National Sustainability Reporting Framework (NSRF)

3

Islamic Finance

- Deepening the Islamic Financial Market and Liquidity Management
- Guiding Hajah and Darurah Application in Islamic finance

4

Others

- Securing Sustainable Access for Medical and Health Insurance/Takaful Protection
- In the Driver's Seat: Enhanced Claims Settlement Practices
- Implementation of the Standardised Approach for Credit Risk: Key Revisions under Basel III and the Impact on Banks

And many more... www.bnm.gov.my/publications/emr2024



Summary

- 1** **The Malaysian economy to expand by 4.5 - 5.5% in 2025**
driven by sustained domestic demand along with moderate expansion in exports
- 2** **Headline inflation to average between 2.0% and 3.5% in 2025**
- 3** **Economic outlook remains subject to risks** driven by both external and domestic headwinds
- 4** **Capital and liquidity positions of banks remain strong** to support economic activities





ASEAN

MALAYSIA 2025

INCLUSIVITY AND SUSTAINABILITY

**ASEAN Finance Ministers' and
Central Bank Governors' Meeting**

7–10 April 2025

Kuala Lumpur Convention Centre

Selamat Hari Raya
Aidilfitri



Maaf Zahir dan Batin



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Additional Information

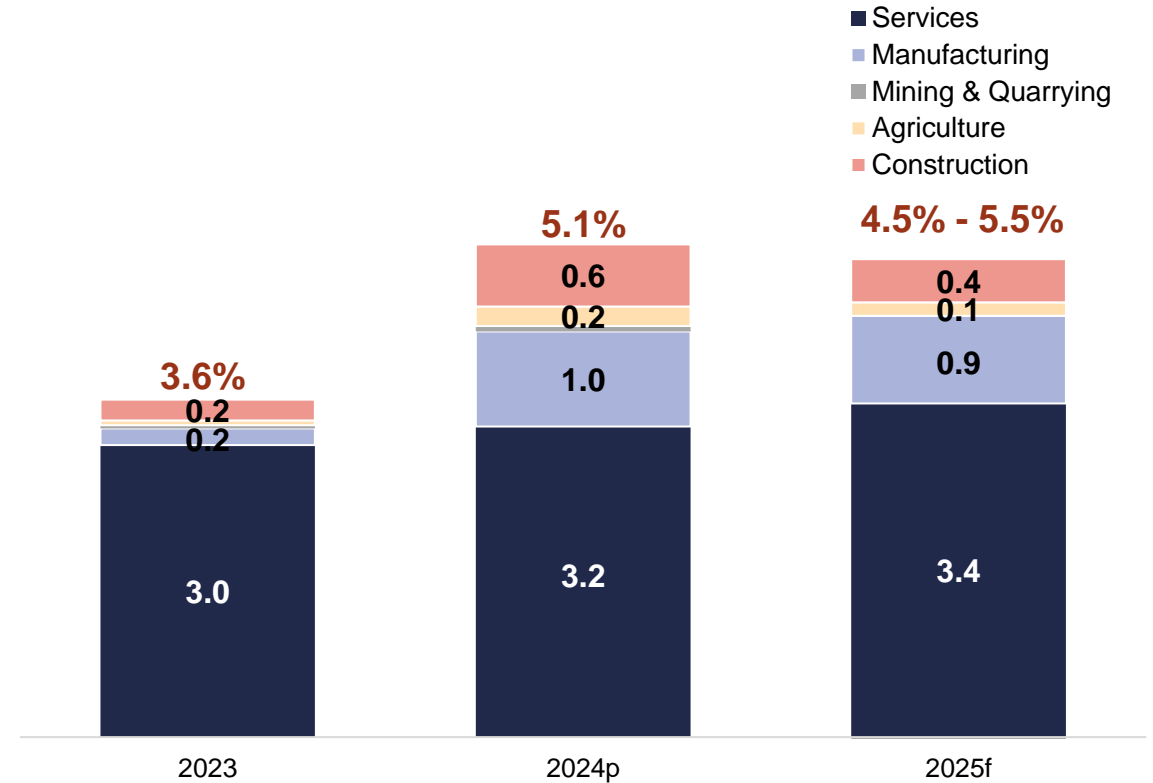


2025f: Positive growth across most economic sectors

| GDP Growth by Economic Activity (Annual Change, %) | % Share (2024p) | 2023 | 2024p | 2025f |
|---|--------------------|------|-------|-----------|
| Real GDP | 100.0 ¹ | 3.6 | 5.1 | 4.5 - 5.5 |
| Services | 59.3 | 5.1 | 5.4 | 5.7 |
| Manufacturing | 23.2 | 0.7 | 4.2 | 3.9 |
| Agriculture | 6.3 | 0.7 | 3.1 | 2.2 |
| Mining & Quarrying | 6.0 | 0.5 | 0.9 | -0.8 |
| Construction | 4.0 | 6.1 | 17.5 | 11.0 |

Malaysia GDP Growth by Economic Activity
Annual Change (%), Ppt. Contribution

Real GDP:



¹ Figures may not necessarily add up due to rounding and exclusion of import duties component

^p preliminary, ^f forecast

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

2025f: Improvement across most demand components

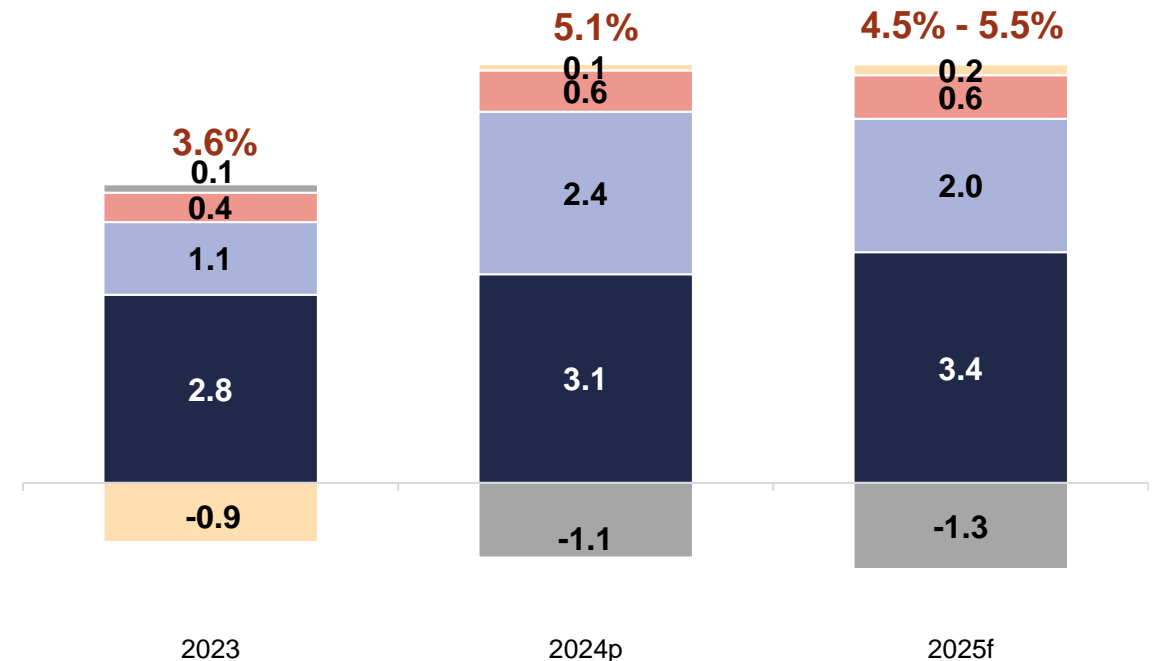
| GDP Growth by Expenditure Components (Annual Change, %) | % Share (2024p) | 2023 | 2024p | 2025f |
|--|--------------------------|--------------|------------|------------------|
| Real GDP | <i>100.0¹</i> | 3.6 | 5.1 | 4.5 – 5.5 |
| Domestic Demand | 95.2 | 4.6 | 6.5 | 6.3 |
| Private Consumption | <i>60.7</i> | 4.7 | 5.1 | 5.6 |
| Private Investment | <i>16.5</i> | 4.6 | 12.3 | 10.1 |
| Public Consumption | <i>13.1</i> | 3.3 | 4.7 | 4.9 |
| Public Investment | <i>4.8</i> | 8.6 | 11.1 | 6.4 |
| Net Exports of Goods and Services | 4.3 | -16.2 | 2.2 | 4.5 |
| Exports | <i>68.2</i> | -8.1 | 8.5 | 6.5 |
| Imports | <i>63.9</i> | -7.4 | 8.9 | 6.6 |

Malaysia GDP Growth by Expenditure Components

Annual Change (%), Ppt. Contribution

Real GDP:

- Private Consumption
- Total Investment
- Public Consumption
- Net Exports of Goods & Services
- Change in Stocks



¹ Figures may not necessarily add up due to rounding and exclusion of stocks

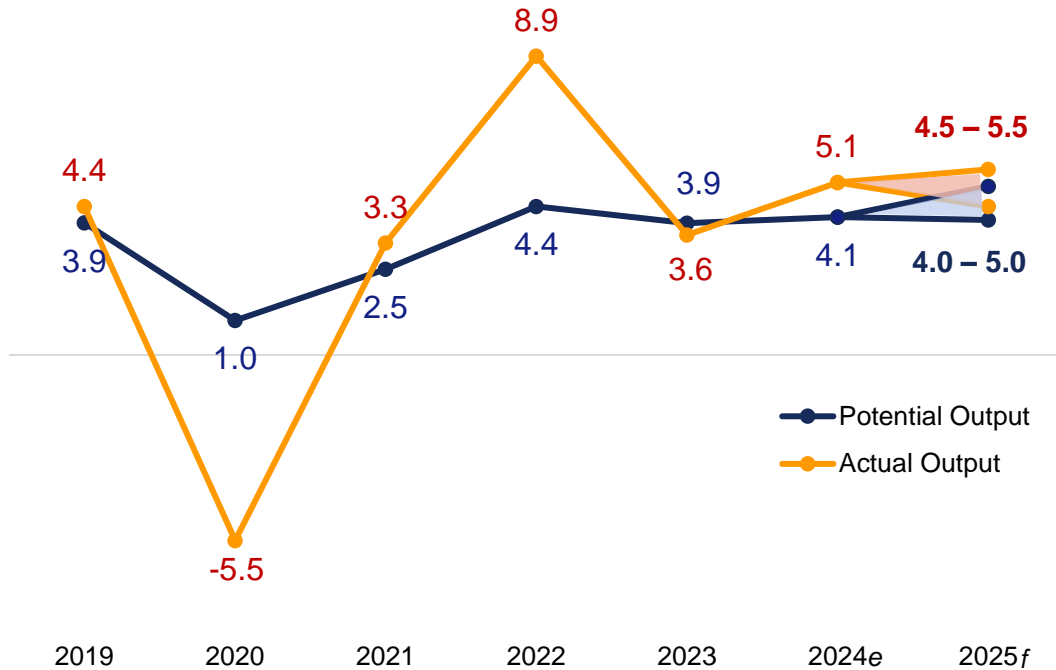
^p preliminary, ^f forecast

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

Output gap is expected to remain positive in 2025

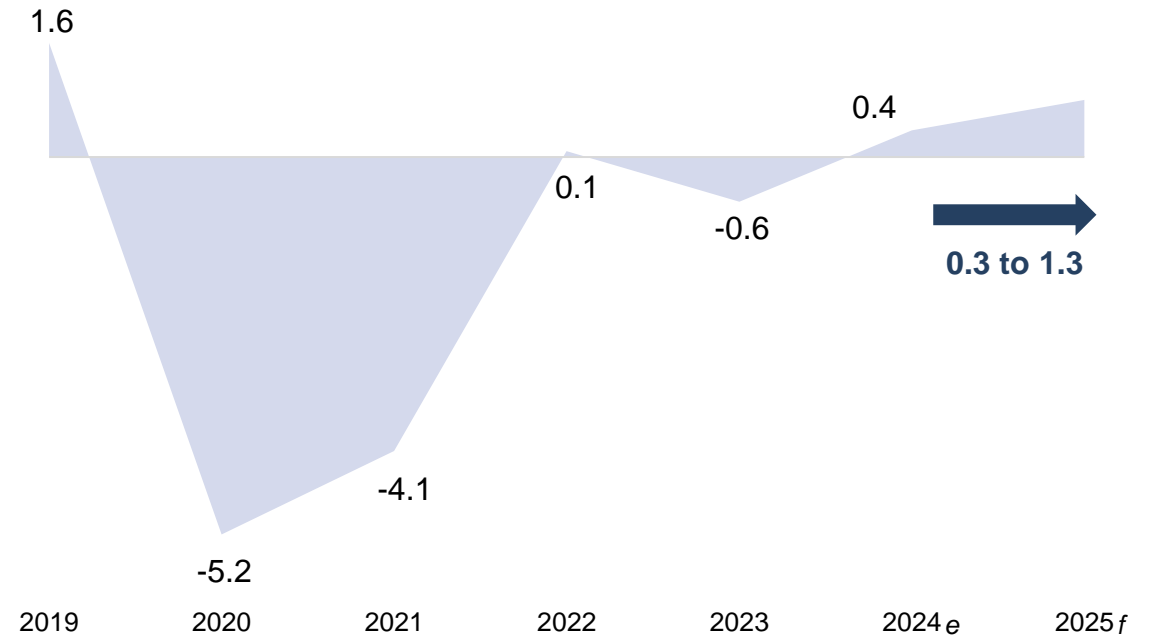
Continued growth in potential output supported by expansion in labour, capital and productivity

Actual Output and Potential Output Growth
Annual Change (%)



Positive output gap in 2024 and 2025 as actual output outpaced potential output

Output Gap
% Share of Potential Output



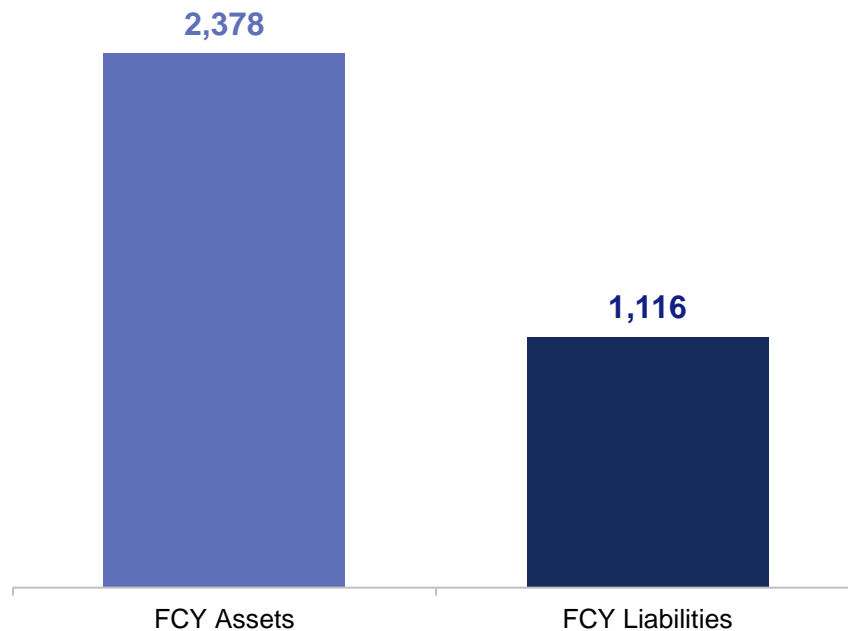
^e estimate, ^f forecast

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

Adequate buffers to weather external shocks

FCY assets are two times larger than FCY liabilities

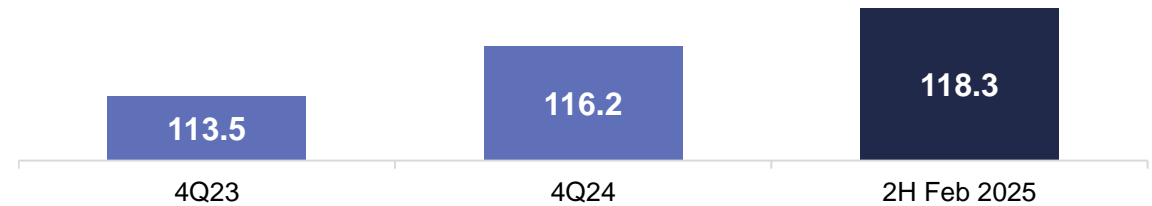
FCY-Denominated External Assets & Liabilities (End-2024)
RM bil



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

Sufficient reserves to facilitate smooth and orderly domestic foreign exchange market

Gross International Reserves (USD billion)



As at 2H February 2025, the reserves position is sufficient to finance 5.0 months of imports of goods and services and is 0.9 times of total short-term external debt

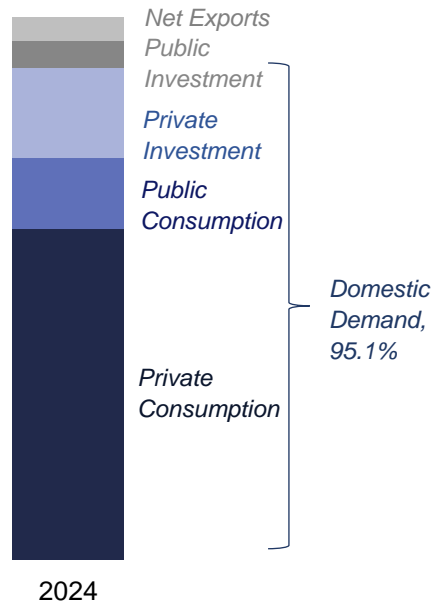
Factors Supporting International Reserves Adequacy

- 1** **Sizeable external assets to meet external obligations**
Non-reserves external asset can cover 1.6 times of STED
- 2** **Favourable short-term external debt profile**
66% subject to BNM's prudential & regulatory requirement
21% backed by export earnings
- 3** **Imports are for productive purposes**
55% is intermediate imports mainly used as inputs for exports
12% is capital imports primarily used for ongoing investment

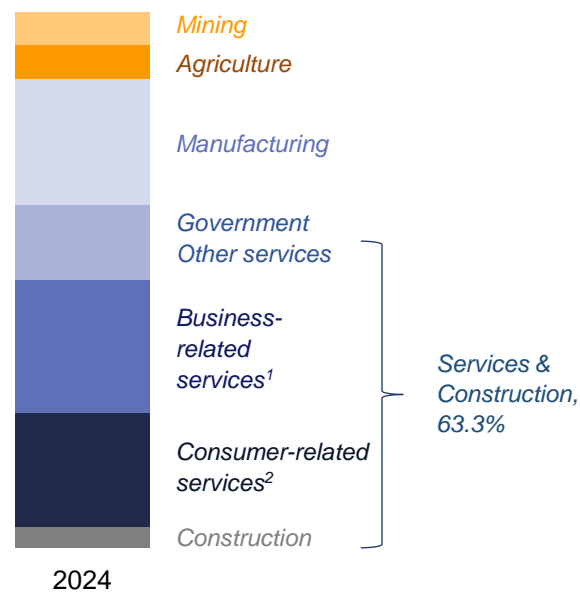
Diversified economic and exports structure supports Malaysia's resilience

Malaysian economy driven by domestic demand with support predominantly from domestic-oriented sectors

Real GDP by Expenditure
% Share of Total GDP



Real GDP by Economic Activity
% Share of Total GDP



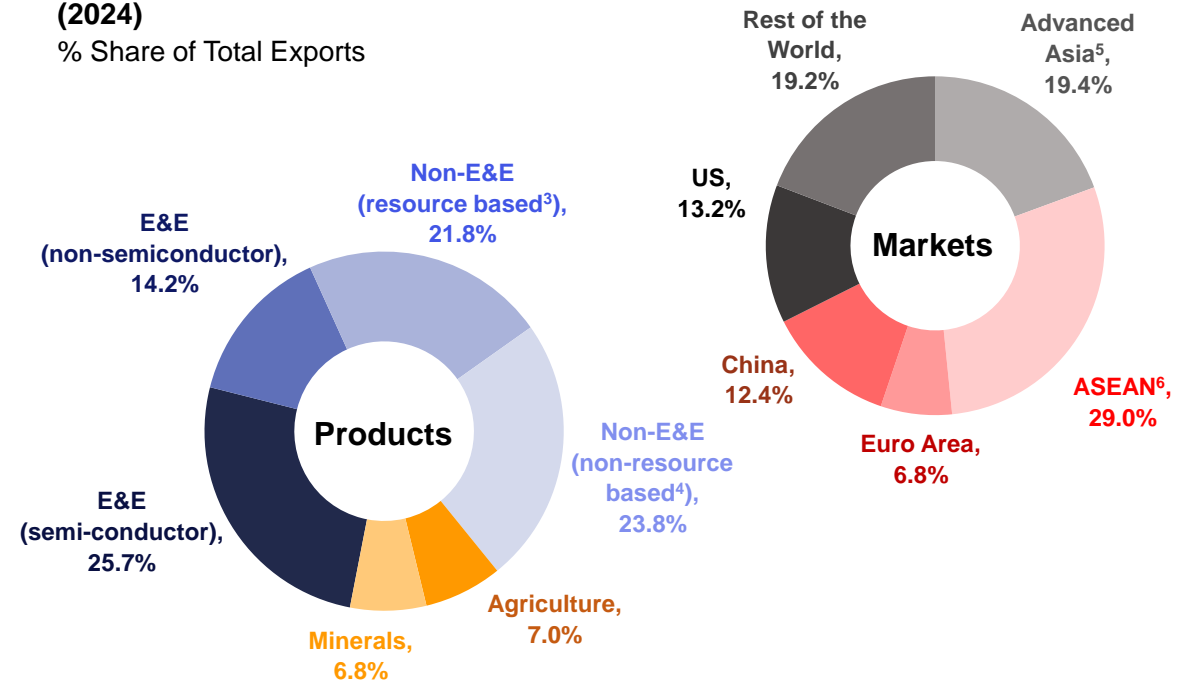
¹ Refers to finance and insurance, information and communication, real estate and business services, transport and storage as well as utilities services.

² Refers to wholesale trade, retail trade, motor vehicles, food, beverage and accommodation services.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Diversified export products and markets to cushion against potential external shocks

Exports by Product and Market (2024)
% Share of Total Exports



³ Examples include chemicals and chemical products, wood products, rubber products, processed food, palm oil- based manufactured products and petroleum products.

⁴ Examples include manufactures of metal, optical and scientific equipment, iron and steel products, as well as manufactures of plastics and jewelry.

⁵ Japan, Korea, Taiwan and Hong Kong.

⁶ Singapore, Thailand, Indonesia, the Philippines, Brunei, Vietnam, Cambodia, Myanmar and Laos.

Malaysia adopts a multi-pronged approach in combating financial fraud

Enhanced preventive measures and awareness initiatives to strengthen defences against fraud

Prevention

- Strengthened **fraud prevention measures** for banks and non-bank e-money issuers
- Enhanced **fraud detection capabilities** of financial institutions
- Prohibition on financial institutions to **use hyperlinks in SMS**, in collaboration with MCMC

Awareness / Customer protection

- Intensified **anti-scam education programmes** by financial industry and government agencies
- **Fairer treatment of fraud victims**, with more robust, transparent and timely investigation process

Strengthened enforcement capabilities to deter fraudsters; expedite industry and agency responses

Enforcement / Recovery

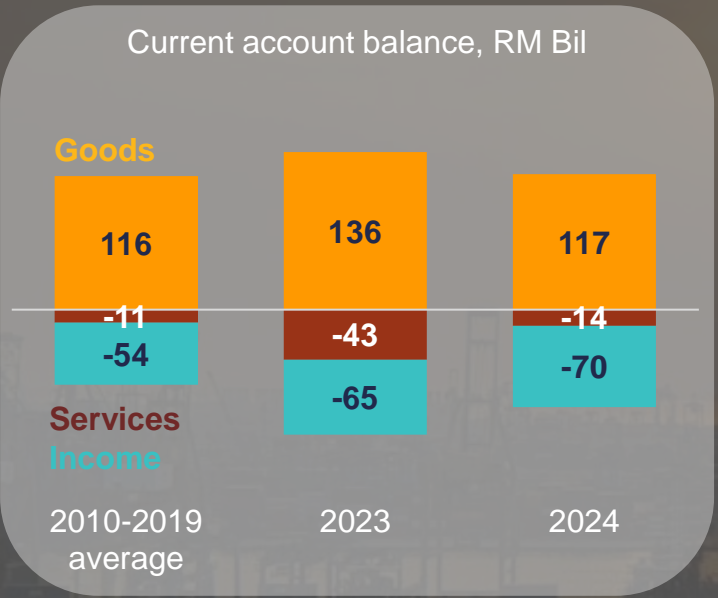
- **National Scam Response Centre (NSRC)**¹ is central nerve centre for more effective inter-agency collaboration
- Enhanced NSRC operational capabilities through **roll out of National Fraud Portal (NFP)**
- More **robust detection and consistent handling of mule accounts** via industry-agreed framework
- **New / amended legislations** to support enforcement activities

Legend: ● **Implemented** ● **On-going**

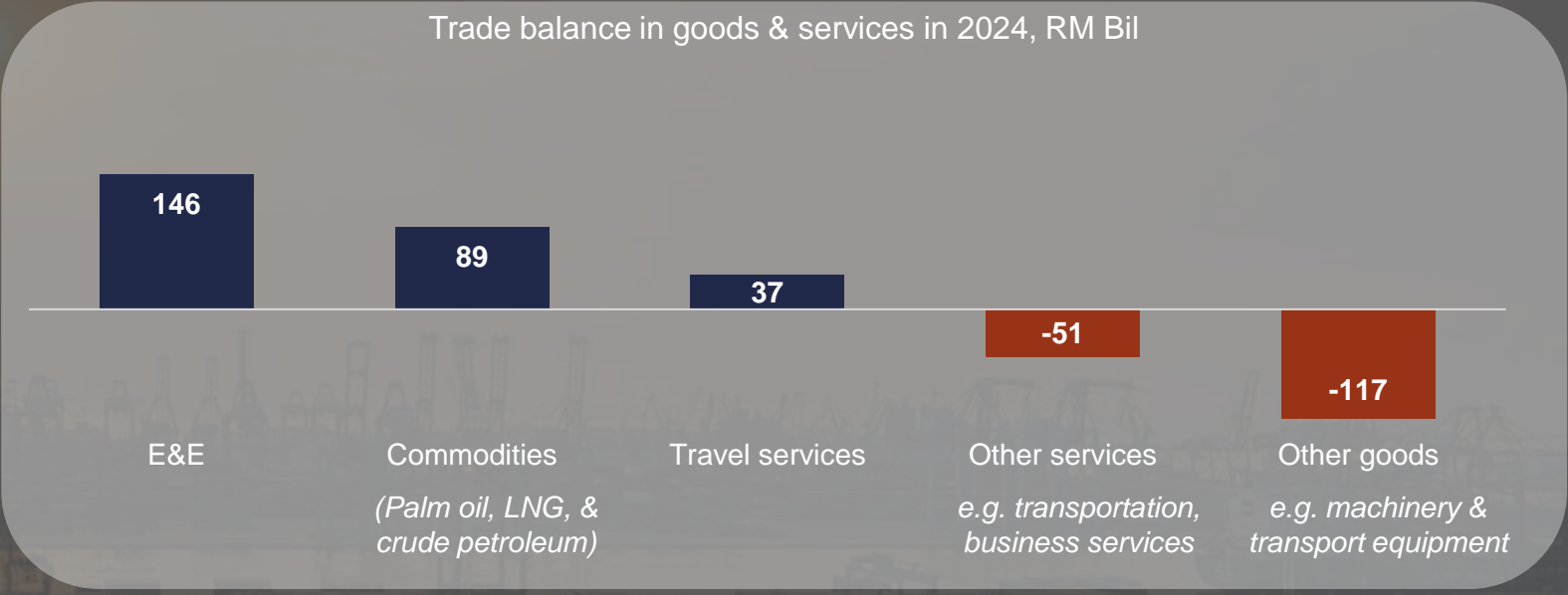
¹ NSRC is a joint effort between the National Anti-Financial Crime Centre (NFCC), PDRM, BNM, MCMC, as well as financial institutions and the telecommunications industry

Sustaining current account resiliency through enhancing domestic capabilities and product complexity

Resilient current account surplus driven mainly by robust goods balance



Surplus mostly comprise net exports of E&E, commodities and travel, offset by net imports for other goods & services



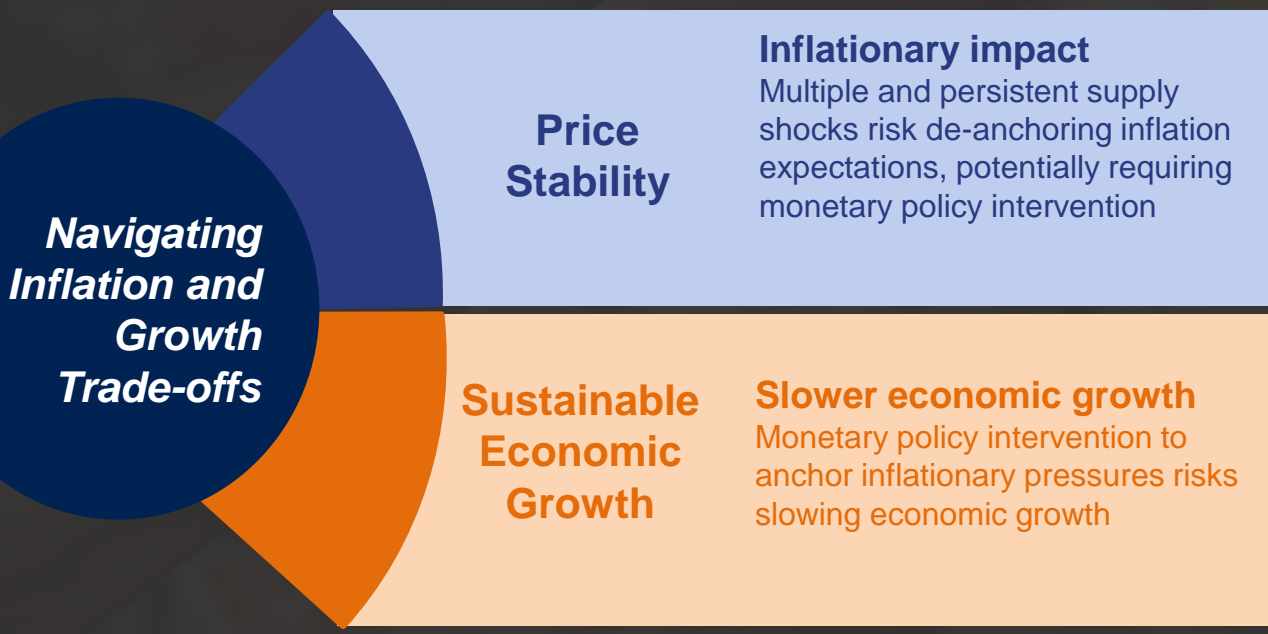
Source: Department of Statistics, Malaysia, Haver Analytics, Bank Negara Malaysia estimates

Policy imperatives for a sustainable current account:

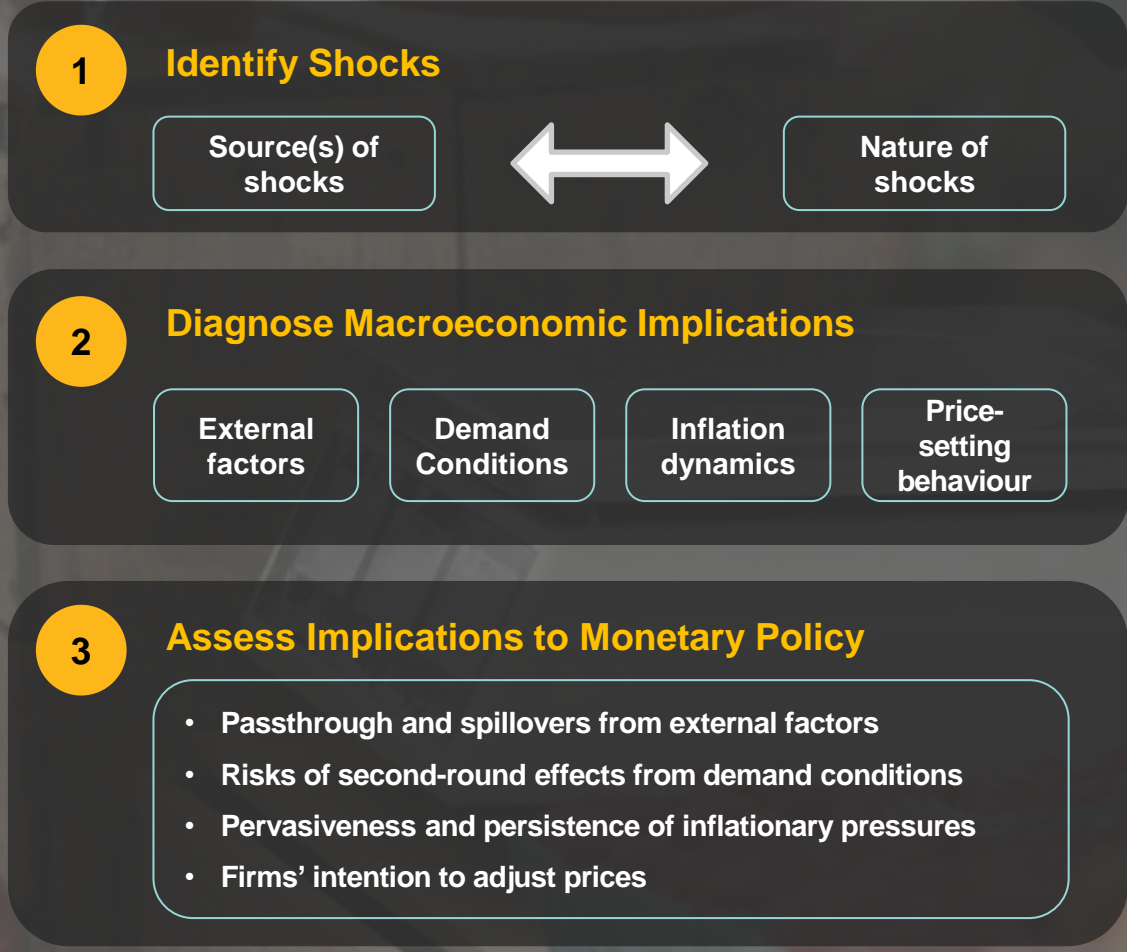
- 1 **Reduce** reliance on imports by increasing domestic capabilities and competitiveness
- 2 **Enhance** product complexity, tourism offerings and expertise in essential services
- 3 **Develop** local talents and business ecosystem by encouraging reinvestments by foreign firms

Monetary Policy: A well-grounded analytical framework in managing supply shocks is key to ensure price stability and sustainable growth

Supply shocks pose challenges for policymakers in balancing between price stability and sustainable economic growth



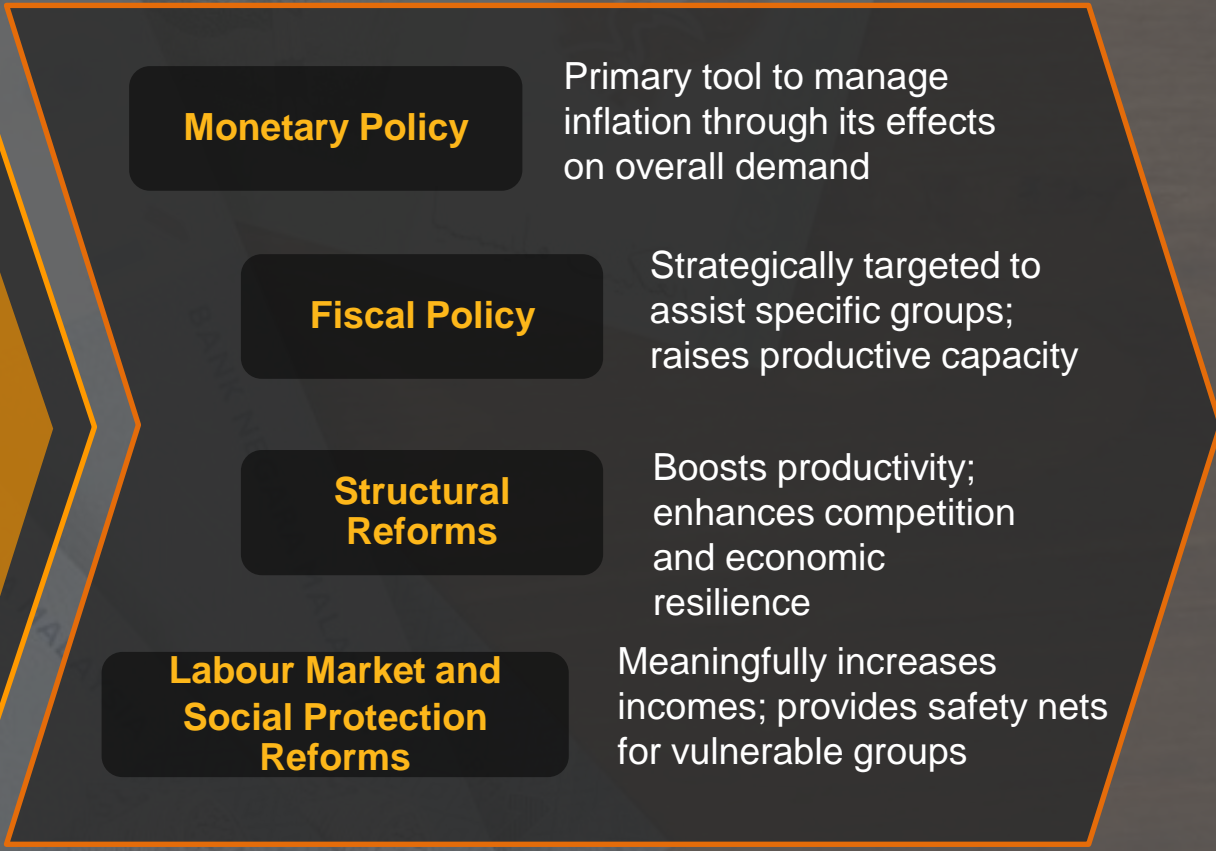
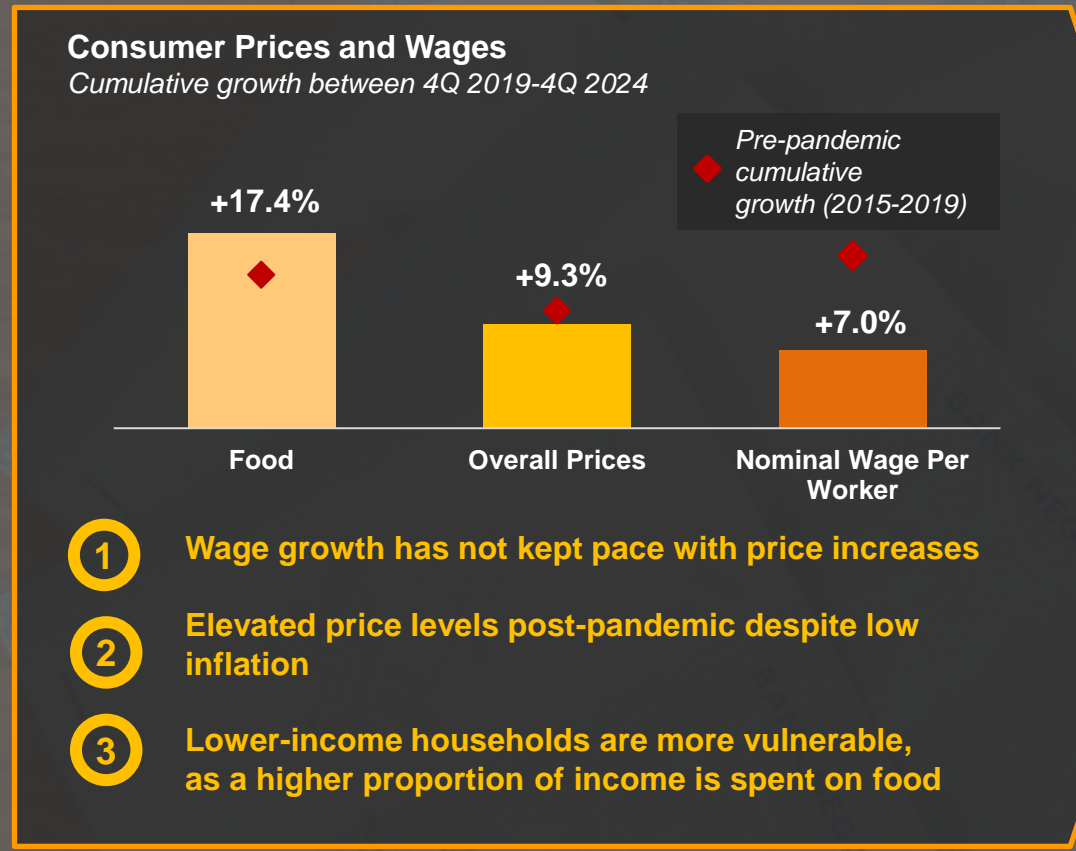
Analytical framework



Integrating macroeconomic policies with deep structural reforms is crucial for a more impactful approach to addressing cost of living problems

1 Cost of living concerns remain prominent

2 Aligning policies and structural reforms is crucial to address cost of living concerns effectively

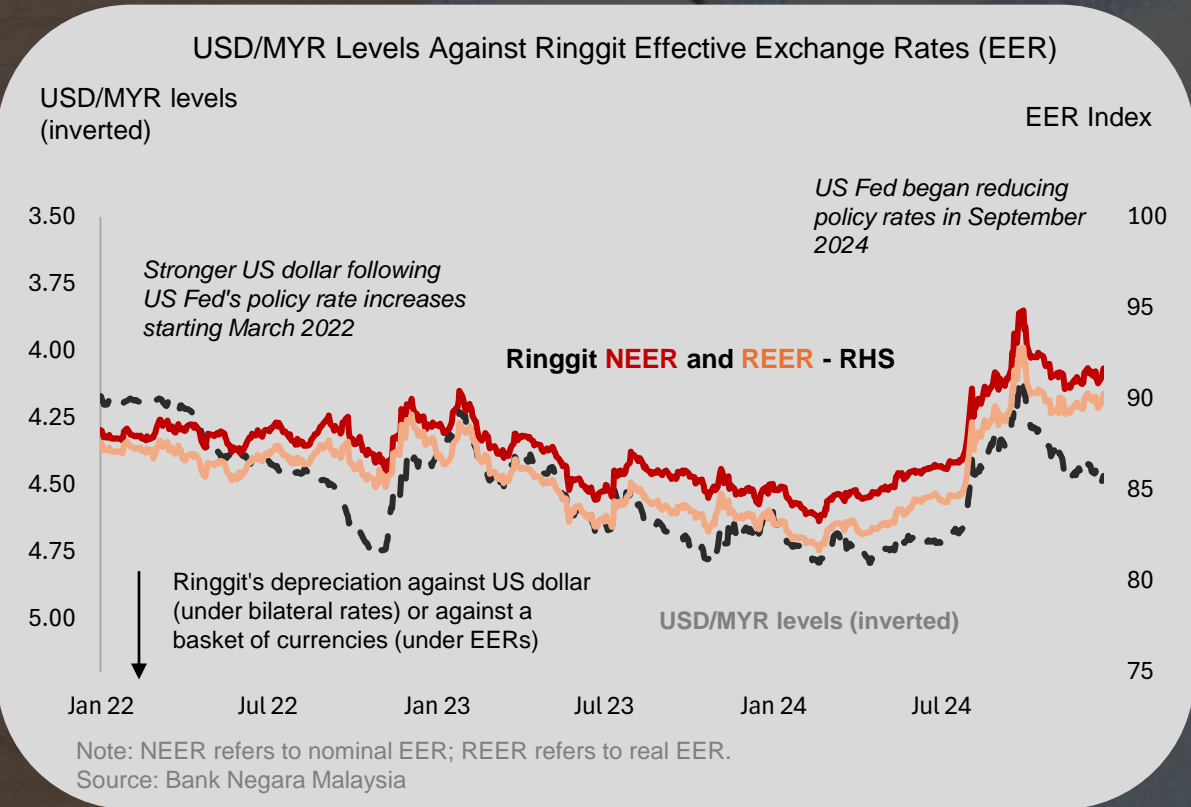


Source: Department of Statistics, Malaysia

Structural reforms are crucial in enhancing economic resilience and ensuring long-term support for the ringgit

In the short-term, ringgit movements can be influenced by external factors...

...but the **long-term** outlook is premised on **strengthening domestic economic fundamentals**



- 1 Reforms for productivity growth (NIMP 2030, NETR)
- 2 Commitment towards fiscal consolidation (MTTF)

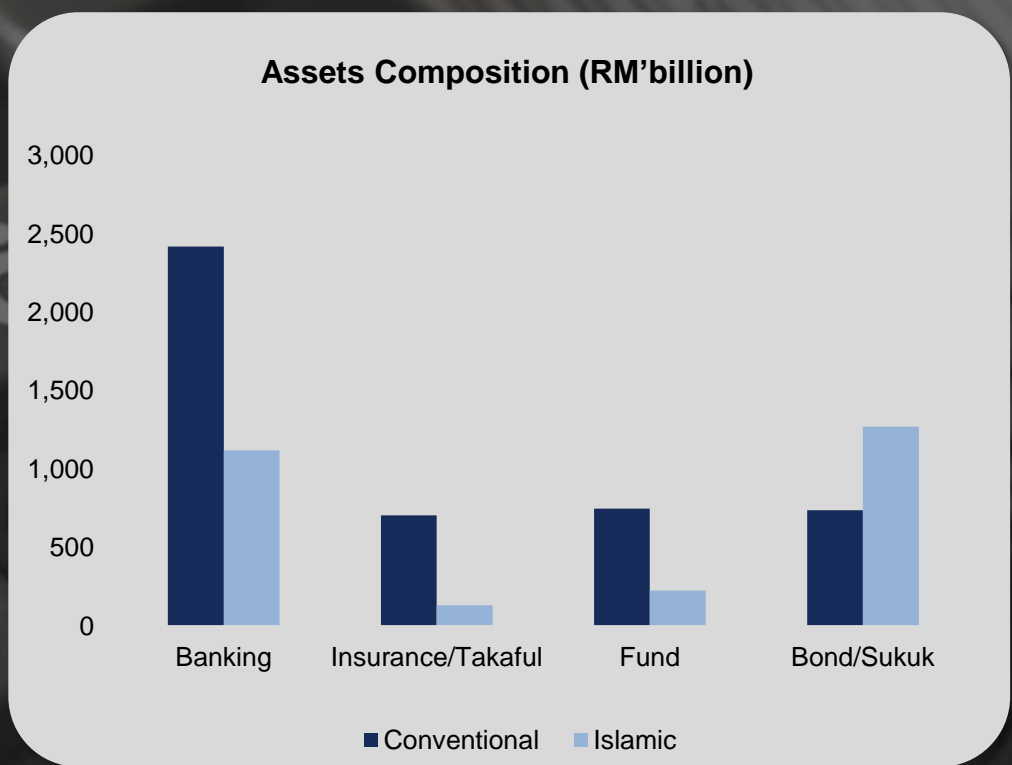
Improving growth potential
elevate domestic industries and attract FDI

Boosting high-quality investments
while strengthening fiscal discipline

Sustained appreciation of the ringgit ↑

Advancing Islamic financial markets for a more resilient Islamic financial ecosystem

Growth potential across asset classes with sukuk market at the forefront



Source: Bank Negara Malaysia (Monthly Highlights & Statistics), Securities Commission Malaysia

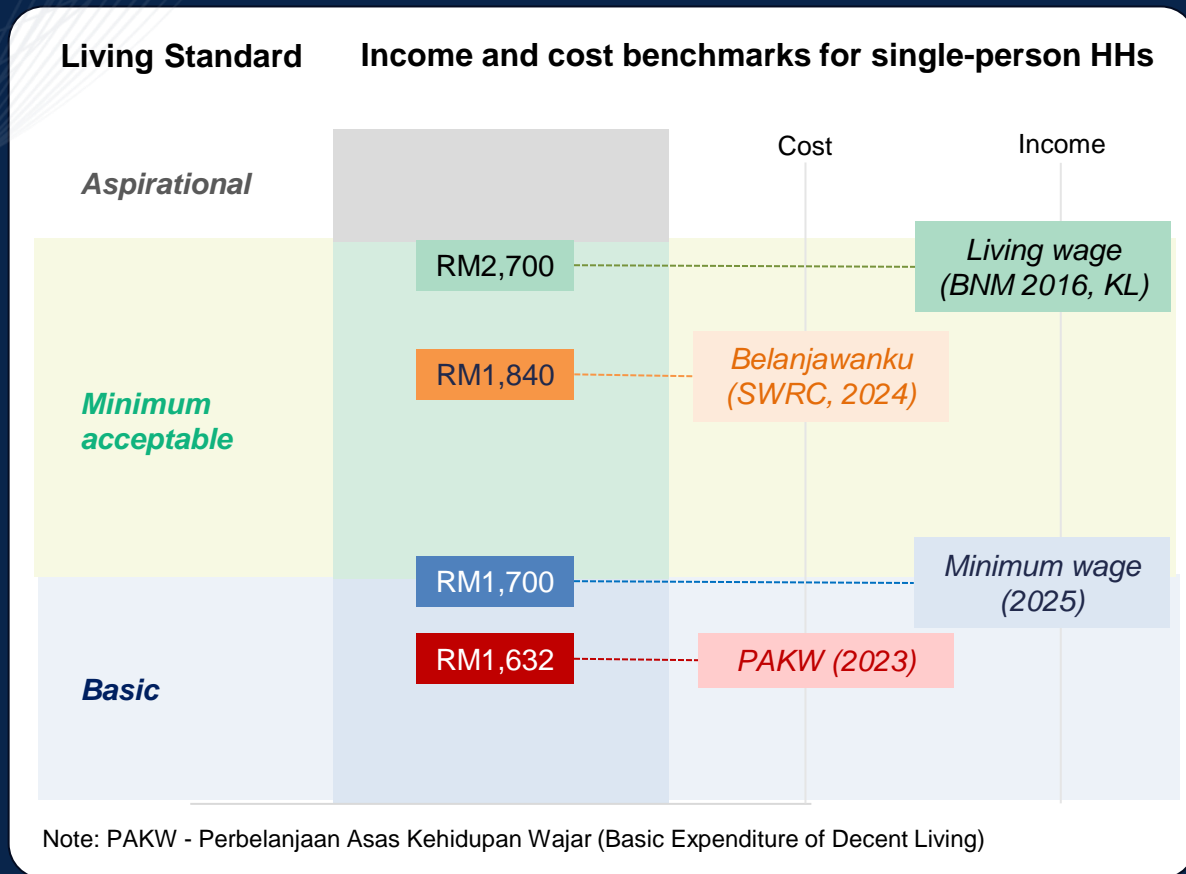
Sustaining market developments require concerted action by industry and stakeholders

- 1 Continued product innovation fundamental for growth & adaptability**
sukuk wakalah bi al-khadamat (agency contract for services)
- 2 Regulatory developments to provide conducive market environment and enhance alignment with global practice**
Islamic Collateralised Funding Policy Document
- 3 Aligning with sustainability initiatives, including green and SRI sukuk**
financing for renewable energy, biodiversity & infrastructure projects

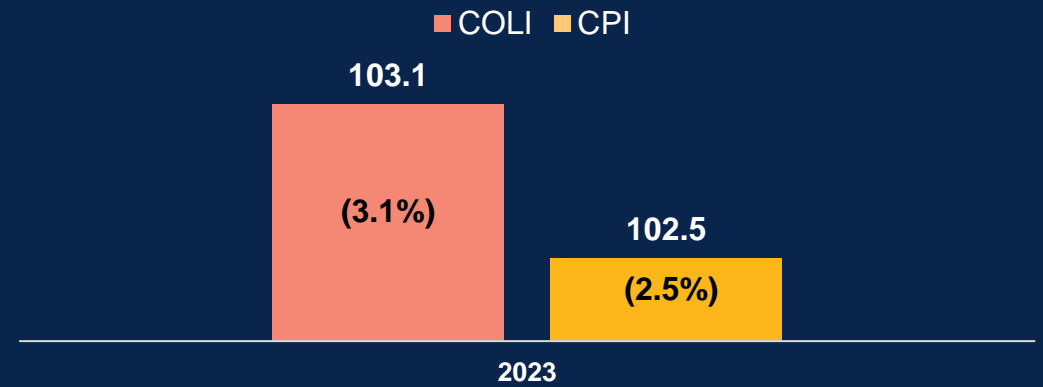
Concept: PAKW reflects the spending of the middle 60% of households, with granular insights by district and household type

DOSM's PAKW covers expenditure beyond basic needs and is highly sensitive to locality and household composition

The Cost of Living Index is generally higher than the CPI, given compositional differences



Cost of Living Index (COLI) and CPI
Index (2022=100), annual change in parentheses



Key differences between COLI and CPI

- ✓ **Income coverage:** PAKW is based on the consumption basket of the 20th - 80th income percentile, whereas CPI is based on the average expenditure basket
- ✓ **Spending composition:** Higher expenditure share of F&B in PAKW due to the basket reflecting a healthy and balanced diet
- ✓ **Non-consumption spending:** Inclusion of certain non-consumption expenditure in PAKW