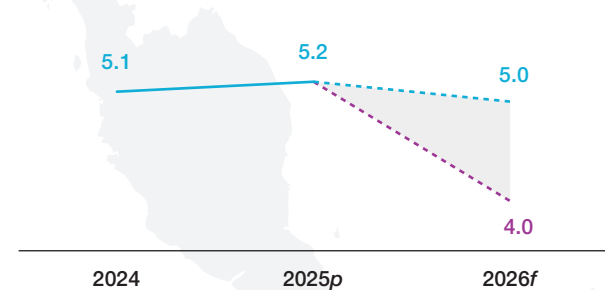


Key Highlights on Economic Development and Outlook

Malaysia's economy to grow between 4% and 5% in 2026

Malaysia's Real GDP Growth (Annual change, %)



p Preliminary
f Forecast

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

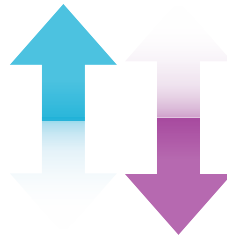
Factors driving growth outlook

- Steady household spending**
Firm labour market conditions amid supportive policy measures
- Strong investment activity**
Realisation of approved projects as well as continued roll-out of projects under national masterplans
- Continued exports**
Higher global demand for semiconductors and steady inbound tourism

Growth prospects remain subject to both upside and downside risks

Upside

- Stronger global demand for E&E and robust tourism** boosting export growth
- Higher external demand** amid better-than-expected global growth

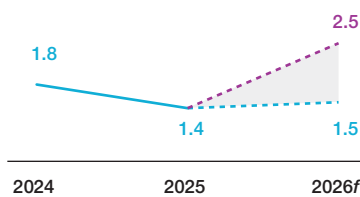


Downside

- Prolonged Middle East conflict** affecting global inflation, economy and trade
- Disruption in domestic commodity production**

Headline inflation to average between 1.5% and 2.5% in 2026

Headline Inflation (Annual change, %)



Upside

- Further escalation in Middle East conflict** leading to highly elevated global commodity prices

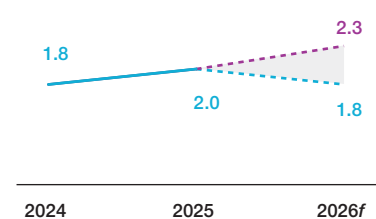
- Higher input costs from **trade policy uncertainty and weather disruptions**

Downside

- Weaker global demand** weighing on domestic activity

- Softer global commodity prices and stronger ringgit** that could ease import costs

Core Inflation (Annual change, %)



f Forecast

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

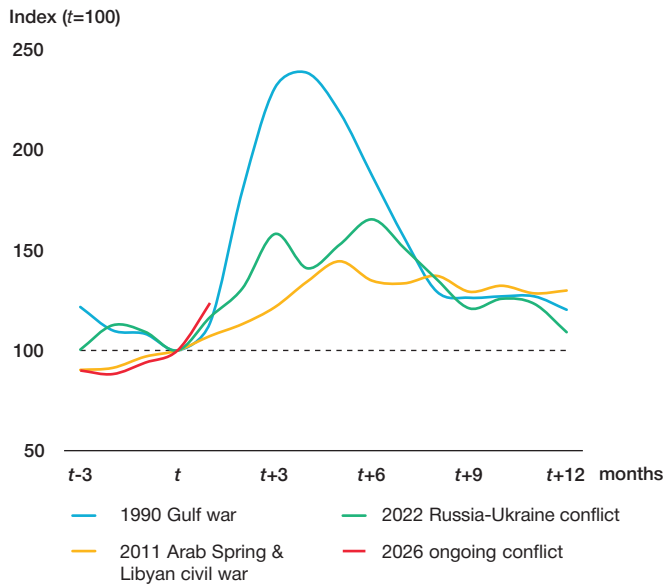
Key Highlights on Special Issue

Oil price shocks from the Middle East conflict could affect Malaysia's growth and inflation

The overall impact on Malaysia will depend on the duration and severity of the conflict and how far it affects global energy production and prices

The Middle East conflict has materially disrupted global oil supply, pushing prices sharply higher

Monthly Average Brent Price Trajectory Following Military Conflict



Note: Time t denotes the month of the disruption events.

Source: Bloomberg, CEIC, newsflow, Bank Negara Malaysia estimates

Malaysia is exposed mainly through energy prices, external demand, and financial markets



Global oil price shock may lead to...

- Higher energy prices, raising import and production costs
- Weaker global demand as higher energy costs slow economic activity
- Volatile financial markets amid heightened uncertainties



However, impact partly cushioned by...

- Net energy exports revenue mainly driven by exports of Liquefied Natural Gas (LNG)
- BUDI95 fuel subsidies limit the passthrough from global oil prices to domestic fuel prices

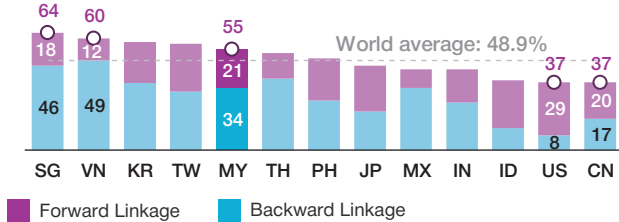
Key Highlights on Box Articles

Disentangling Malaysia's Value Chains in the Age of Turbulence

To thrive in a geopolitically fragmented environment, Malaysia must position itself as a reliable, high-value node within global value chains (GVCs)

Malaysia's GVC participation is above global average

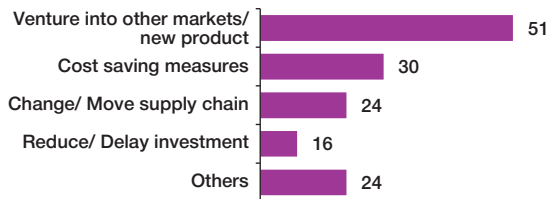
Forward and Backward GVC Linkages by Country
Share of gross exports in 2022 (%)



Source: Bank Negara Malaysia estimates using data from OECD Trade in Value Added (TIVA) 2025 edition

Export resilience underpinned by firms' ability to adapt in the new tariff environment

Strategies to mitigate negative impacts from US tariffs
Share of survey respondents (%)



Note: Percentage shares do not sum to 100% as respondents could mitigate challenges using more than one strategy.

Source: Bank Negara Malaysia

Cementing Malaysia's position as the 'indispensable middle' within GVCs is key



Sustaining the Engine: The Evolving Drivers behind Malaysia's Private Consumption Growth

Sustaining private consumption requires addressing pressures on household income and living costs

Shifts in structural factors, income & composition of employment and household balance sheet...



Diminishing sociodemographic dividends



Slower wage growth worsening cost-of-living pressures



Greater role of **the gig economy and government cash transfers** to support spending



Gradual decline in household liquid buffers amid elevated debt levels

...necessitate policy initiatives to ensure sustainable consumption growth

Maintain Low and Stable Inflation

- ✓ **Countercyclical** monetary and fiscal policies
- ✓ **Targeted subsidies and supply side policies** to contain the rise in cost of living

Raise Income

- ✓ Create more **high-paying jobs** and raise quality of workforce
- ✓ Strengthen **wage institutions**

Harness the 'second demographic dividend'

- ✓ Broaden **social protection coverage**
- ✓ Increase **productive investments** to boost capital income

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