



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Economic Prospects

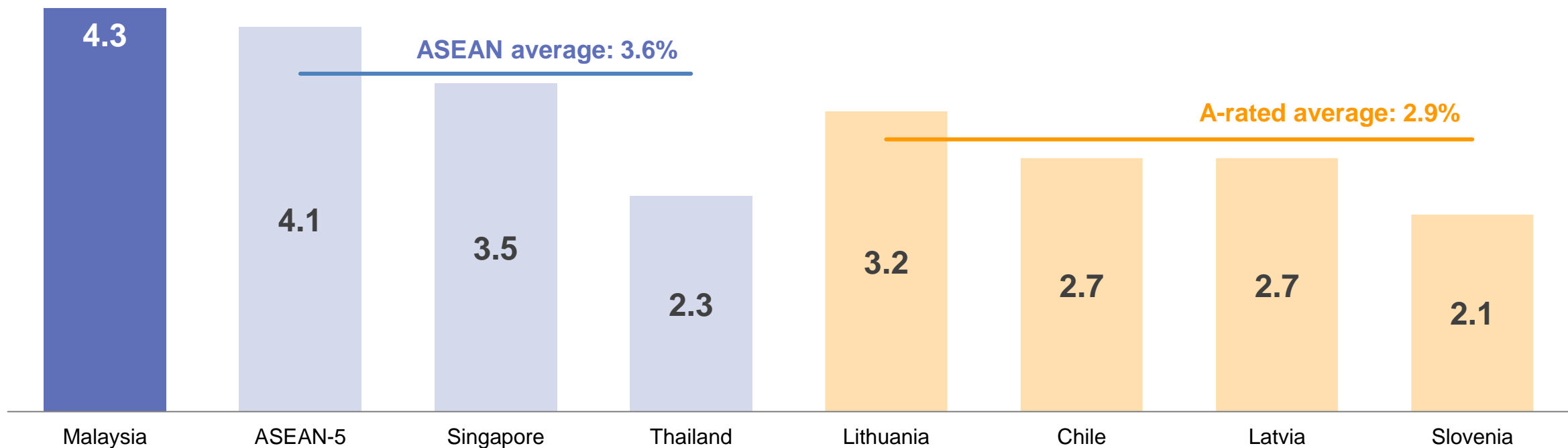
Abdul Rasheed Ghaffour
Governor, Central Bank of Malaysia

26 July 2024



Malaysia has delivered resilient growth performance...

Average GDP growth of Malaysia, ASEAN economies and selected A-rated Economies
(% yoy, 2011 – 2023)

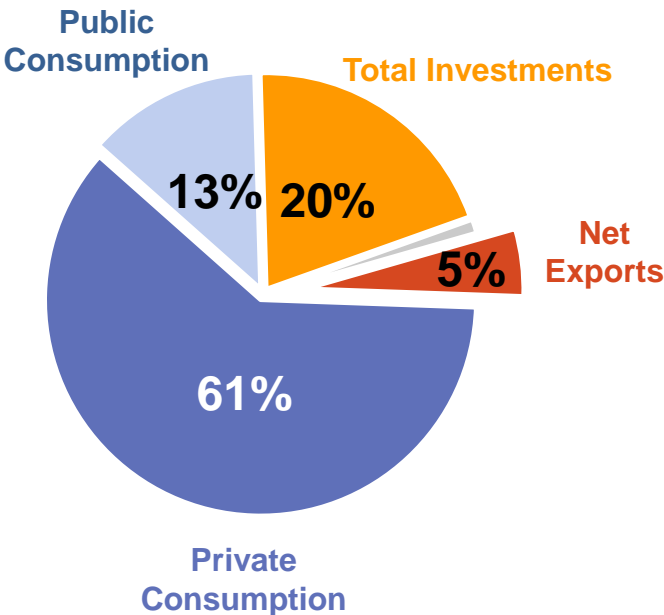


Source: Department of Statistics Malaysia and World Economic Outlook

...borne by a diversified and dynamic economy

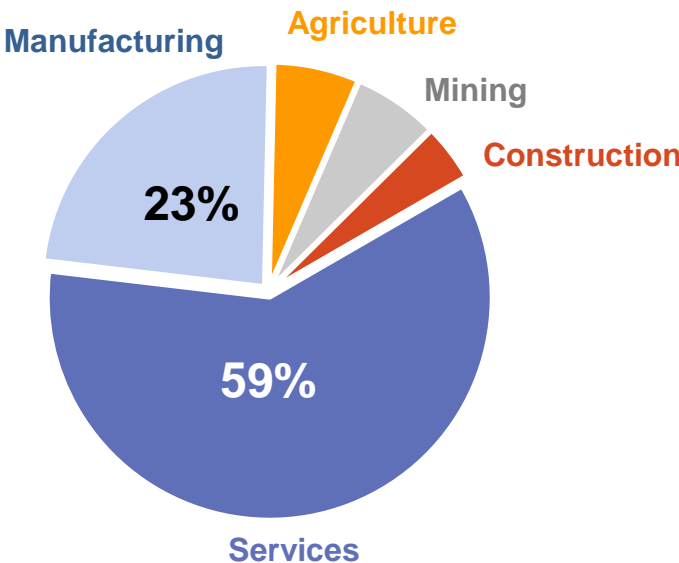
Both domestically
and externally driven

GDP by expenditure in 2023
(% share of GDP)



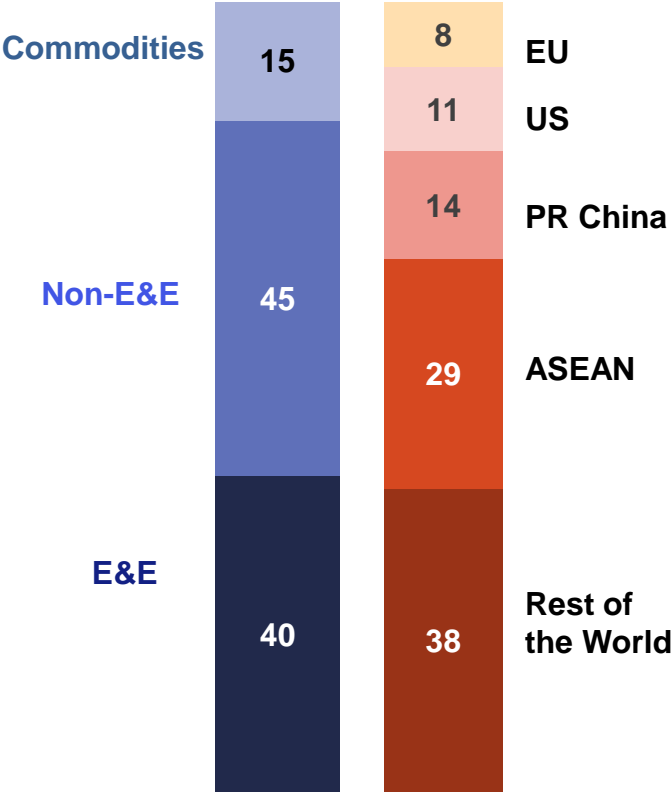
Complex economic structure

GDP by activity in 2023
(% share of GDP)



Diversified products
and export destinations

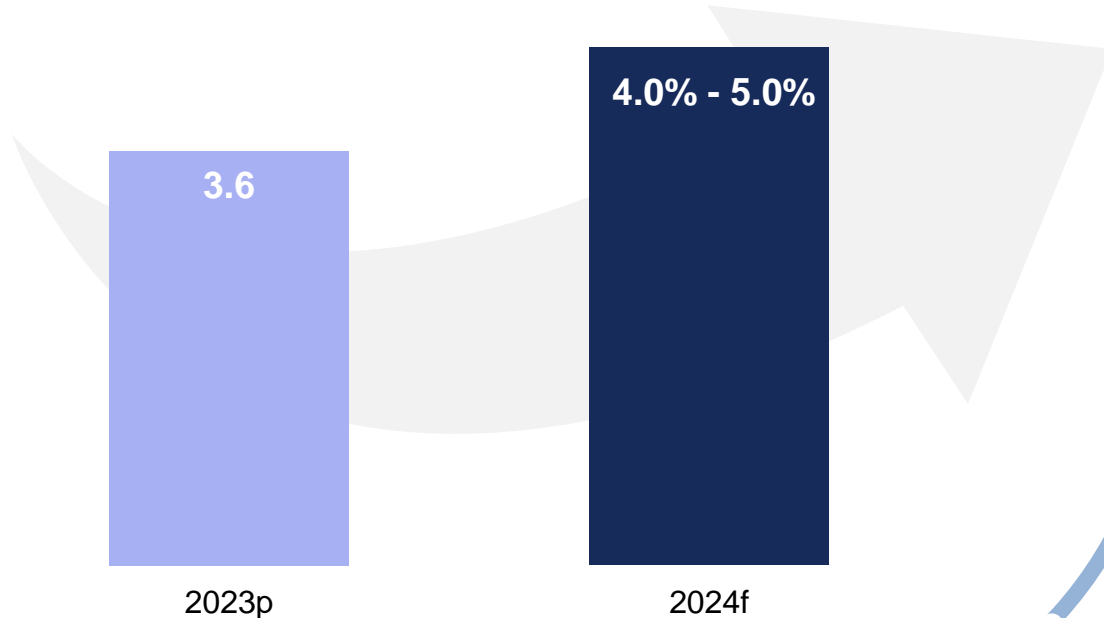
Exports by products and markets in 2023
(% share of exports)



Source: Department of Statistics Malaysia

The Malaysian economy could be closer to the upper bound of 4.0% - 5.0% forecast range in 2024...

Malaysia GDP Growth
Annual Change (%)



Note: p Preliminary, f Forecast

Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Key Growth Drivers in 2024



Continued expansion in household spending

Higher income growth and continued expansion in employment



Steady rise in investment

Supported by new and ongoing multi-year projects as well as implementation of national master plans



Recovery in goods trade activity

Stronger global trade amid the technology upcycle

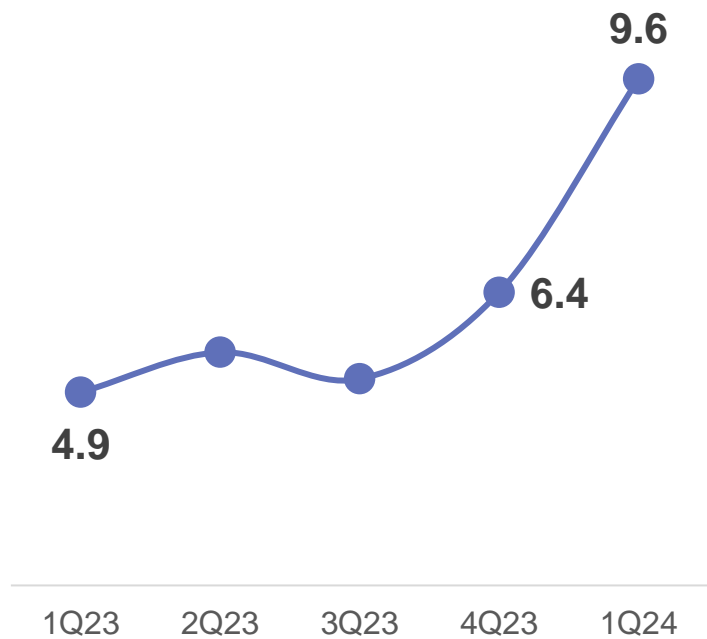


Higher tourist arrivals and spending

Steady rise in investment

Clear uptrend

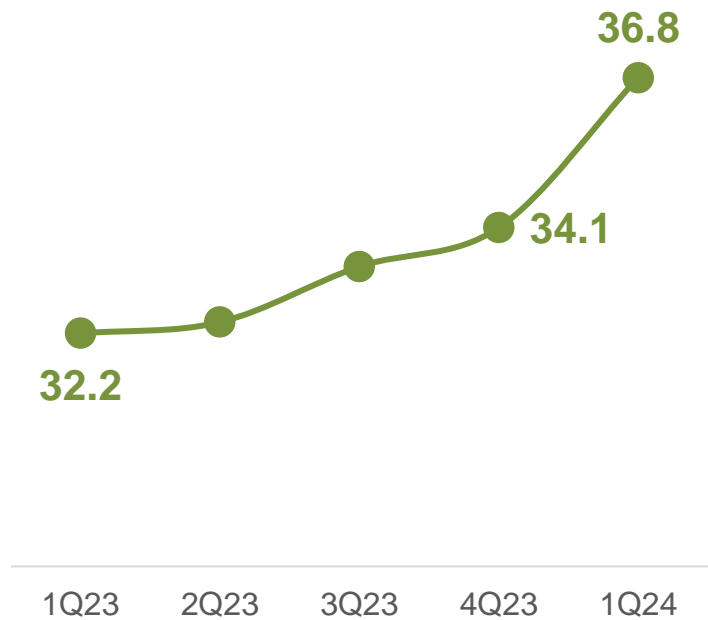
Real Gross Fixed Capital Formation
Annual change, %



Source: Department of Statistics, Malaysia, Malaysia Investment Development Authority

Progress in key infra projects

Value of Construction Work Done
RM billion



Realisation of approved projects

Approved Investment in 2021 - March 2024
by Sector



Services
RM 462 billion



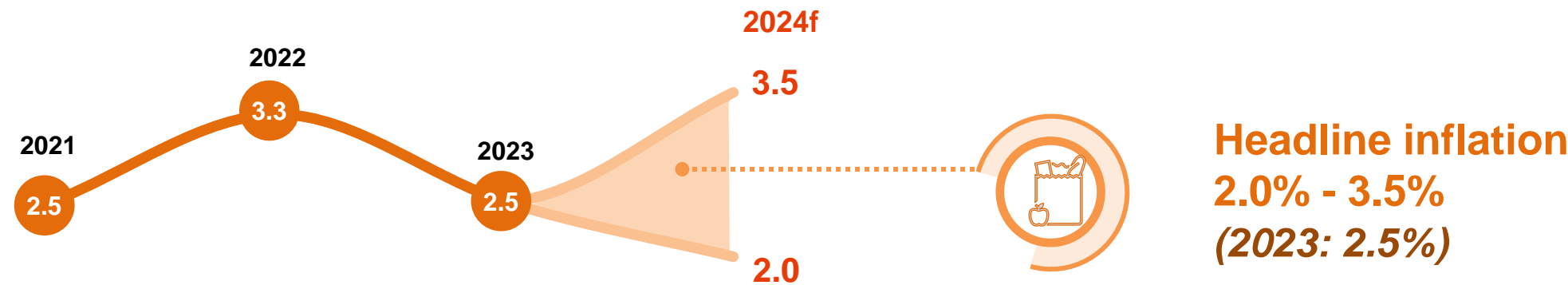
Manufacturing
RM 473 billion

*“Between 2021 – March 2024, **77.2%** of approved manufacturing projects are in various stages of implementation” - MIDA*

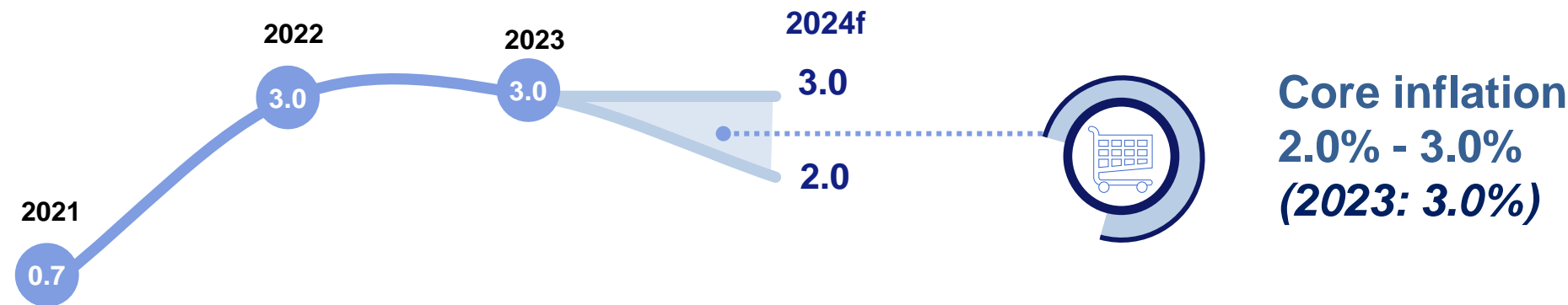
Source: Malaysia Investment Development Authority, MIDA

Modest inflation that is conducive to growth and reforms

Headline Inflation
Annual Change, %



Core Inflation
Annual Change, %



Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Sound monetary and financial policy underpins macroeconomic stability

Macroeconomic stability to pave the way for successful reforms



Monetary policy will remain conducive to sustainable economic growth while managing potential risks to inflation



A sound financial sector will continue to remain supportive of economic activity

- Strong lending capacity among banks, given healthy capital and liquidity buffers
- Continued willingness to lend by banks
- Sound repayment capacity of households and businesses
- Continued availability of targeted support, including funds for SMEs

While ringgit is affected by global developments, growth prospects and sound fundamentals point to strong upside to the currency

Ringgit performance been mainly affected by cyclical factors...



Interest rate differentials

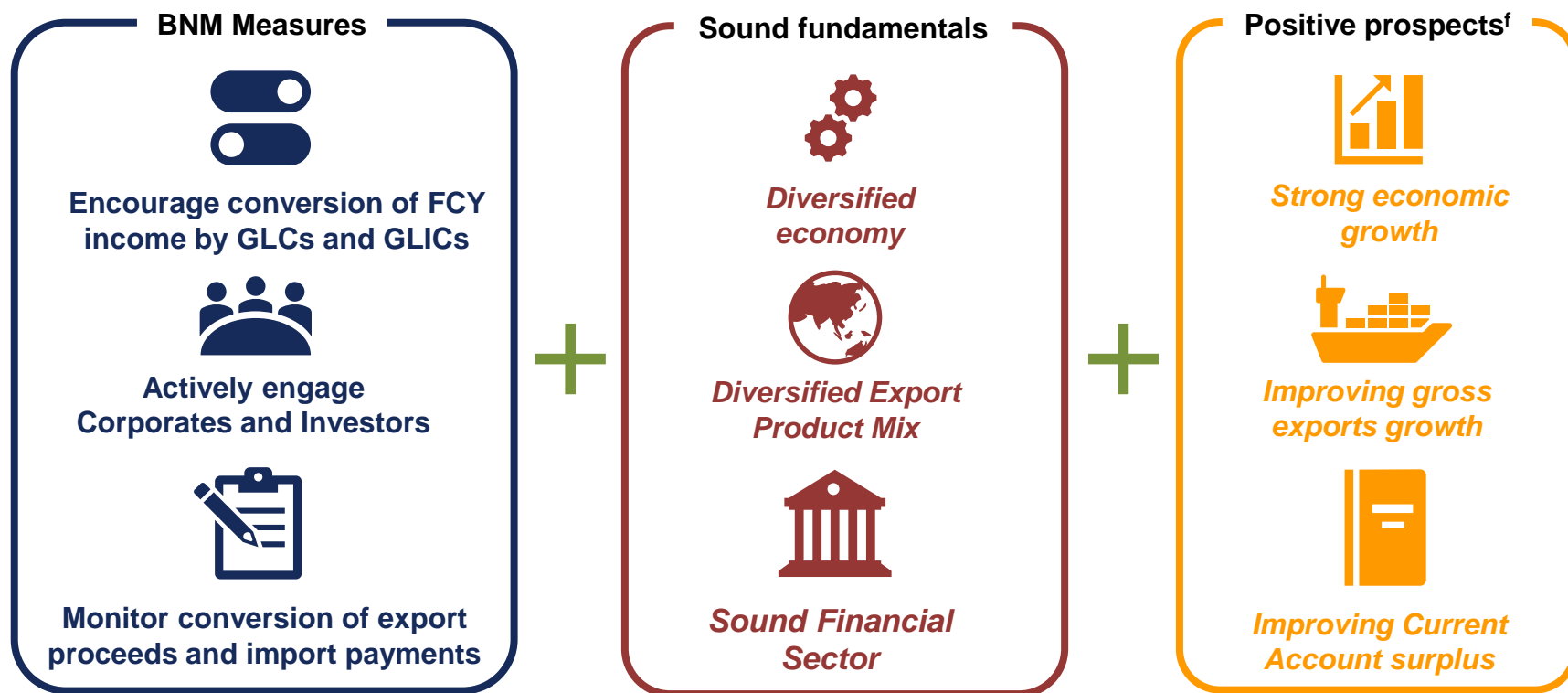


Global Economic Fluctuations



Geopolitical Risks

...however, proactive measures, sound domestic fundamentals and positive growth prospects will lift the ringgit



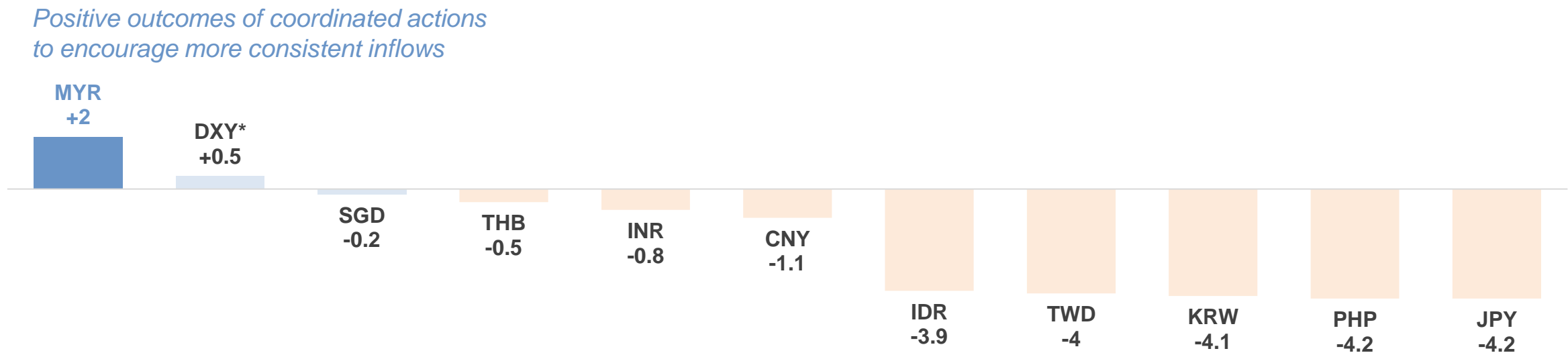
Note: ^f forecast

Source: Department of Statistics Malaysia, International Monetary Fund and Bank Negara Malaysia

Ringgit tops 10 regional currencies following coordinated actions

The ringgit’s resilience attributable to coordinated actions between the Government and BNM

Performance of Regional Currency Movements Against the US Dollar,
% (Period: 26 Feb 2024 – 22 July 2024)



*The US dollar Index (DXY) is an index of the US dollar value against a basket of foreign currencies, namely EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%), and CHF. (3.6%). Data as of 22 July 2024.
Source: Bank Negara Malaysia and Bloomberg

Sound and progressive financial sector as strong enablers to economic growth



Digitalisation

- *Digital Banks and Digital Insurance and Takaful Operators*
- *Digital payments*
- *MyDigital ID*



Sustainability

- *Financing facilities and tools supporting businesses to transition*



Islamic and ESG assets

- *Market leader*
- *World's first exchangeable sukuk and green sukuk*
- *Expedite the transition of industries*



Stock exchange

- *Centralised Sustainability Reporting*
- *Islamic Real Estate Investment Trusts (REITs) and Islamic Exchange Traded Funds (ETFs)*

Strong fundamentals support Malaysia's resilience



**Malaysia's economy
to grow between 4% -
5% in 2024**



**Headline inflation is
expected to be between
2.0% - 3.5%**



**Current account surplus to
improve to 1.8% – 2.8% of
GDP in 2024**



**Sound financial sector with
18.5% total capital ratio and
RM142.6 billion excess total
capital in 2023**



**A considerable upside to
the Ringgit given Malaysia's
strong fundamentals and
prospects**



**OPR at 3% remains
supportive of growth**