# Macroeconomic Outlook

## Global growth to be sustained amid resilient domestic demand

**Global trade recovery is also expected to continue in 2H 2024**

The global economy is expected to be sustained in the second half of this year. This is supported by positive labour market conditions and moderating inflation. The monetary policy easing by the advanced economies will further support growth in the short-to-medium term. China's growth is expected to expand albeit at a slower pace, as fiscal support will be offset by weak property market and consumer sentiments. Global trade growth is expected to recover further, as global technology upcycle gains momentum.

The growth outlook remains subject to downside risks mainly from escalation of geopolitical tensions, higher-than-expected inflation, 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

**Sustained expansion in domestic demand and improvement in external demand to support growth**

Growth of the Malaysian economy in the second half of the year is expected to be driven mainly by firm expansions in investment activity and resilient household spending, with larger support from exports recovery. Investment activities will be supported by continued implementation of multi-year projects in both the private and public sectors and augmented by the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of approved investments. Private consumption will be supported by sustained growth in income along with larger policy measures. Higher spillover from global tech upcycle will lift exports while tourist arrivals and spending are expected to improve further.

The growth outlook faces downside risks from weaker-than-expected external demand, further escalation of geopolitical conflicts and lower-than-expected commodity production. Nevertheless, greater spillover from the tech upcycle, more robust tourism activities, and faster implementation of new and existing investment projects provide upside to Malaysia's economic outlook.

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## Inflation to trend higher in 2H 2024

**Inflation will increase following the rationalisation of diesel subsidies, though mitigation measures would minimise cost pressure to firms**

After trending below long-term average levels for the first half of the year, inflation is expected to be higher in 2H 2024 amid the recent rationalisation of diesel subsidies. In particular, inflationary pressures would largely stem from the pass-through of higher operating costs by firms, though this would be manageable given measures to minimise the extent of cost increases. Going forward, upside risks to the outlook would be dependent on the extent of spillover effects of further domestic policy measures on subsidies and price controls to broader price trends, as well as global commodity prices and financial market developments. For the year as a whole, headline and core inflation are projected to remain within the earlier projected ranges of 2.0% to 3.5% and 2.0% to 3.0% respectively.