Macroeconomic Outlook

Global growth to be sustained at a moderate pace amid monetary policy easing

Global trade recovery is expected to continue in 2025

The global economy is expected to remain stable in 2025, supported by monetary policy easing, positive labour market conditions and moderating inflation. China's growth is expected to expand albeit at a slower pace, as larger fiscal support will be offset by weak property market and consumer sentiments. Global trade growth is expected to recover further, supported by the strength in E&E and non-E&E goods.

The growth outlook remains subject to downside risks, mainly from escalations of geopolitical tensions, trade policies in major economies, heightened volatility in global financial markets, and slower growth momentum in major economies. However, upside risks to growth can arise from stronger-than-expected demand, especially in advanced economies, as well as larger policy support in China.

Malaysian economy to expand further

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

Going forward, growth of the Malaysian economy is expected to be driven by robust expansion in investment activity, strong exports and resilient household spending. Investment activities will be driven by continued progress of multi-year projects in both the private and public sectors, higher realisation of approved investments and the implementation of catalytic initiatives under the national master plans. Higher spillover from global tech upcycle and continued strength in demand for non-E&E goods will lift exports, while tourist spending is expected to improve further. Employment and wage growth, as well as policy measures would remain supportive of household spending.

The growth outlook faces downside risks from slower-than-expected external demand, further escalations in geopolitical tensions and protectionist measures as well as weaker-than-expected commodity production. Nevertheless, greater spillovers from the tech upcycle, faster implementation of investment projects and more robust tourism activities, provide upsides to Malaysia's economic outlook.

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Inflation in 2025 is expected to remain manageable

Nevertheless, the inflation outlook remains subject to the implementation of announced domestic policy measures.

Year to date, both headline and core inflation averaged 1.8%. Spillovers from the diesel price adjustment to broader prices have been contained, given effective mitigation and enforcement measures, minimising the impact on business costs and limiting pass-through to retail prices. The inflation outlook remains subject to the implementation of further domestic policy measures, global commodity prices, and financial market developments.

Heading into 2025, inflation is expected to remain manageable amid continued easing in the external cost environment.[1] The outlook will partly depend on the timing of new policy measures and the dissipating impact of those introduced in 2024 (e.g. subsidy rationalisation, increment in SST rates). Upcoming demand-stimulating measures[2] could provide additional support to demand, though the impact on inflation is expected to remain manageable.

[1] Based on the Economic Outlook 2025, Ministry of Finance Malaysia. Headline inflation is projected to average between 2.0% - 3.5% for 2025, accounting for upside risks from domestic policy measures.

[2] These include, among others, the salary increment for civil servants, implementation of the progressive wage model and review of the minimum wage.