Macroeconomic Outlook

Sustained global growth amid resilient labour markets and monetary policy easing

Inflation is expected to moderate further

For 2025, growth in the global economy is expected to remain broadly sustained, supported by positive labour market conditions, moderating inflation and less restrictive monetary policy. Disinflation, especially among advanced economies, is expected to continue, aided by lower commodity prices. The expansion in global trade is also expected to continue going forward. However, the rollout of measures that could restrict trade and investment could weigh on global trade.

Downside risks to growth remain, mainly from uncertainty surrounding trade and investment restrictions. In contrast, upside risks to growth could arise from stronger US growth, if policies from the new administration significantly spurs domestic demand.

Malaysian economy to expand further

Resilient domestic expenditure to drive growth in 2025

The Malaysian economy is expected to remain resilient in 2025. Growth will be driven by robust expansion in investment activity, resilient household spending and continued expansion in exports. 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. Employment and wage growth as well as policy measures, including the upward revision of the minimum wage and civil servant salaries, would remain supportive of household spending. Exports are expected to be supported by the global tech upcycle, continued growth in non-electrical and electronics goods and higher tourist spending.

The growth outlook is subject to downside risks if growth in major trading partners slowed amid heightened risk of trade and investment restrictions, and lower-than-expected commodity production. Nevertheless, growth could potentially be higher from greater spillovers from the tech upcycle, more robust tourism activities, and faster implementation of investment projects.

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Inflation to remain manageable in 2025

Inflation is expected to be contained by moderate cost conditions and the absence of excessive demand

Both headline and core inflation averaged at 1.8% in 2024. Moving into 2025, inflation is expected to remain manageable amid easing global cost conditions and the absence of excessive domestic demand pressures. Global commodity prices are expected to continue to trend lower, contributing to moderate cost conditions in the near-term. In this environment, the overall impact of the recently announced domestic policy measures[1] is expected to be contained.

Upside risks to the inflation outlook could arise from larger spillover effects from policy reforms, especially if coupled with a stronger demand environment. For instance, this could lead to higher inflation expectations and broader price increases. Beyond that, external risks to inflation mainly stem from uncertainties in global trade and geopolitical factors, which could influence input costs through global commodity prices and financial market developments.

[1] These include, among others, the RON95 subsidy rationalisation, Sales and Services Tax (SST) expansion, and labour market policies such as the minimum wage revision, progressive wage model, and civil servant salary revision.