



## **Nor Shamsiah Yunus**

Governor, Bank Negara Malaysia

# Foreword

2020 was a year like no other. The pandemic plunged the world into a public health crisis that saw many losing their lives, and the livelihoods of many more were disrupted as entire countries were forced to a near standstill. Malaysia was not spared as the economy recorded a significant contraction especially in the second quarter of the year.

Amid these challenges, and working within our mandates to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy, the Bank took swift and broad-ranging measures to cushion shocks to the financial system and the economy. In doing so, we coordinated closely with the Government and the financial sector to preserve both lives and livelihoods.

A top priority was to mitigate the impact of the economic contraction and promote conditions for a sustainable economic recovery. We reduced the Overnight Policy Rate to the lowest level in our history and implemented measures to ensure adequate liquidity and orderly market conditions. Debt relief measures and funding programmes for SMEs were rolled out at an unprecedented scale to help affected borrowers and businesses to alleviate cash flow constraints and maintain credit flows to the economy. The ability of the financial sector to extend support at the scale that was necessary is a testament to the importance of building buffers and ensuring the strength and resiliency of the financial system, especially during good times.

As 2020 recedes into the rear-view mirror, the worst may be behind us. However, the road ahead will not be without bumps. Even with signs of economic recovery and the global roll-out of vaccines, there remains significant uncertainty surrounding the evolution and trajectory of the pandemic. Complacency in managing the pandemic could lead to resurgences and consequently, the re-imposition of strict containment measures. In addition, uneven economic recovery and scarring in some sectors will also weigh on the future growth potential of the economy. Given this uncertainty in the strength of economic recovery, the thrust of our monetary policy in 2021 will remain accommodative to support an entrenched and sustained recovery.

## The Bank continued to promote monetary stability and financial stability in 2020, by taking exceptional measures to overcome extraordinary challenges during the year.

For the financial sector, our priority is to ensure that it continues to serve the public by maintaining uninterrupted financial services and meeting the needs of households and businesses for financing and temporary relief. The strong position of financial institutions going into this crisis has enabled them to act as a shock absorber to the economy. Financial institutions remain well-placed to play a counter-cyclical role to facilitate a swift and sustainable recovery. This has been supported by appropriate regulatory flexibilities to help banks prioritise the needs of their customers. At the same time, the Bank continues to maintain a strong focus on measures by financial institutions to strengthen their operational resilience, preserve financial buffers against future losses and treat customers fairly. As financial markets are expected to remain volatile, the Bank will also continue to ensure sufficient liquidity and maintain orderly conditions in the foreign exchange and money markets.

Although the focus of the Bank's attention in 2020 was on dealing with the crisis, we continued to keep an eye on the future and pursue existing strategic priorities critical to the financial sector. To increase Malaysia's economic resilience and growth prospects, the Bank will double down on initiatives in the financial sector to support Malaysia's transition to a digital economy. This includes the licensing of digital banks and accelerating initiatives in digital payments, which has seen significant increases in usage and acceptance over the past year. The pandemic is also a call to action on climate risk, highlighting the urgency of building a more climate resilient economy. The groundwork being laid today to build a common language for assessing climate risks through a taxonomy, along with expectations for financial institutions to improve climate risk management and disclosures, will strengthen their role in supporting the transition to a greener economy. More broadly, the Bank will finalise our developmental and regulatory priorities under a new blueprint for the financial sector, which will be released early next year. This will include accelerating the development of non-debt based financing to address gaps in the availability of funding to households and businesses.

For the Bank, the pandemic was also a test of organisational resilience. The novelty, scale and speed of the crisis necessitated the adoption of a "whole-of-Bank" approach to quickly draw upon its reservoir of knowledge and expertise from all across the organisation. The Bank also had to quickly develop new knowledge and skills in areas beyond our traditional domains of expertise, to quickly understand how public health considerations impact the economy and financial system. To add to the challenge, like most others, we as an organisation had to make a rapid switch to remote working, resulting in our people having to juggle between multiple demands of work, family and health. Taken together, these challenges combined with an environment of greater uncertainty and incomplete information, necessitated the Bank to adapt quickly and creatively to mount an effective response.

As management of the pandemic enters a new phase, the experience of the past year offers valuable lessons to further strengthen the Bank's agility in responding to fast-moving developments, both during crises and normal times. A key reflection of this period has been the Bank's ability to examine and address complex problems through multiple lenses and perspectives, and to work seamlessly across functions to deliver on our mandates. We will continue to prioritise investments in our people, to ensure that we build and maintain the necessary capabilities,

skills and knowledge to deal with anticipated shifts and uncertainties in the post-pandemic world. Moreover, with traditional working norms upturned, we are taking steps to reinforce the strong culture and values of the Bank, including by ensuring that our people remain engaged and aligned with the Bank, no matter where or how they work. Last but not least, the pandemic also affirms the urgency for us to accelerate our digital transformation journey, so that our people have the right tools, technology and data that will allow them to be at their best.

Indeed, the experience of the past year has made me even more confident in the Bank's ability to persevere and overcome any challenge that is put before us. Here, I wish to take this opportunity to express my sincerest appreciation to everyone in the Bank for their commitment, dedication and hard work during this particularly challenging time. Many of our people went above and beyond to serve the Bank and the nation. I am also deeply grateful to the Board for their guidance and oversight.

Even as the economy recovers from the pandemic, we are not completely out of the woods. In this environment of heightened uncertainty, there is no room for complacency. Therefore, the Bank will remain steadfast in delivering on our mandates with the highest standards of professionalism and integrity. We will apply sound judgment and duty of care in everything that we do to uphold the Bank's tradition as an institution that acts in the best interest of the nation.



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