# Contents

## **GOVERNOR'S STATEMENT**

#### **EXECUTIVE SUMMARY**

#### **ECONOMIC DEVELOPMENTS IN 2012**

- **11** The International Economic Environment
- **15** The Malaysian Economy
- 24 External Sector
- 28 Box Article: Current Account Balance in Malaysia: Recent Developments and Outlook
- 34 Box Article: Changing Drivers of Economic Growth in Malaysia
- **40** Price Developments

#### MONETARY AND FINANCIAL CONDITIONS

- 47 International Monetary and Financial Conditions
- **50** Domestic Monetary and Financial Conditions
- **51** Box Article: Commodity Price Boom: Is Financialisation a Factor?
- Box Article: Responsiveness of the Malaysian Government Securities Yield Curve to Movements of Sovereign Bond Yields Abroad
- **68** Financing of the Economy

### **MONETARY POLICY IN 2012**

- **73** Monetary Policy
- **76** Monetary Operations
- 79 Box Article: Bank Negara Malaysia's Joint Policy Committee

#### **OUTLOOK AND POLICY IN 2013**

- 83 International Economic Outlook
- 85 Box Article: Post Crises Structural Changes in Global Growth Trends
- **91** Malaysian Economy
- 94 Box Article: Potential Output of the Malaysian Economy
- **96** Box Article: Private Investment in Malaysia: Drivers and Sustainability
- Box Article: Variations in Household Propensity to Consume across Income Segments
- 104 Box Article: Potential Impact of the Minimum Wage Policy on the Malaysian Economy
- **109** Monetary Policy
- **110** Fiscal Policy

# GOVERNANCE, ORGANISATIONAL DEVELOPMENT AND COMMUNICATIONS

**115** Governance

**118** Organisational Development

Box Article: Establishment of Centralised Shared Services Division – Towards Enhancing Services Delivery in the Bank

**124** Communications

**127** Organisation Structure

# **ANNUAL FINANCIAL STATEMENTS**

**134** Statement of Financial Position as at 31 December 2012

135 Income Statement for the Year Ended 31 December 2012

**136** Notes to the Financial Statements

# **ANNEX**