

Contents

Governor's Statement

The Malaysian Economy in 2007

- 3 The International Economic Environment in 2007
- 8 Overview
- 9 Domestic Demand Conditions
- 11 Sectoral Review
- 22 *White Box: Development of a Vibrant and Sustainable Microfinance Industry*
- 25 Prices and Employment
- 31 External Sector
- 44 *White Box: Development of Small and Medium Enterprises*

Monetary and Financial Conditions

- 55 Overview of International Monetary and Financial Conditions
- 58 Ringgit Exchange Rate Developments
- 61 Liquidity and Money Supply
- 62 Financial Market Conditions
- 68 Financing of the Economy
- 73 *White Box: The Evolution of Financing Sources for the Malaysian Economy*

Monetary Policy in 2007

- 81 Overview
- 81 Monetary Policy in 2007
- 85 Monetary Operations in 2007

Outlook and Policy

- 91 International Economic Outlook in 2008
- 93 Malaysian Economy in 2008
- 102 Monetary Policy in 2008
- 103 *White Box: Potential Output of the Malaysian Economy*
- 104 *White Box: Liberalisation of the Foreign Exchange Administration Rules*
- 107 Fiscal Policy in 2008

Governance and Organisational Development

- 111 Overview
- 115 Risk Management in Bank Negara Malaysia
- 119 Organisation Structure

Annual Financial Statements

- 126 Balance Sheet as at 31 December 2007
- 127 Income Statement for the Year Ended 31 December 2007
- 128 Notes to the Financial Statements

Annex