BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

PRESS RELEASE

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Bank Negara Malaysia Publishes Annual Report 2024, Economic and Monetary Review 2024 and Financial Stability Review for Second Half 2024

Press Conference Presentation Transcript

Introduction

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said,

"Pada sidang akhbar hari ini, Bank Negara Malaysia akan berkongsi analisis kami tentang pelbagai isu dan perkara yang terkandung dalam laporan kami iaitu Laporan Tahunan, Tinjauan Ekonomi dan Monetari, serta Tinjauan Kestabilan Kewangan.

"Analisis ini merangkumi prospek pertumbuhan ekonomi dan inflasi, serta keadaan kestabilan sektor kewangan negara.

'Please allow me to continue in English for the benefit of all our audiences.'

In 2024, Malaysia achieved strong economic growth with low and stable inflation

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said,

'Let me begin with a quick recap on Malaysia's macroeconomic performance in 2024. Malaysia's economy recorded a strong growth of 5.1%, with a low and stable inflation of 1.8%. This places Malaysia as one of the top performers among regional and comparator economies. Importantly, all sectors of the

economy expanded, driven by resilient private consumption, robust investment activity and rebound in exports.'

Resilient growth amid manageable inflation in 2025

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Building on the momentum from 2024, the Malaysian economy is projected to grow at a resilient pace of between 4.5% and 5.5% in 2025. This growth will be driven by sustained domestic demand, despite external uncertainties leading to a more moderate expansion of exports.

'I should mention, we are currently facing a highly uncertain global operating environment. Our baseline forecast range is premised upon conservative assumptions on relevant variables such as income, energy prices and world trade. Of these, world trade is subject to a high degree of uncertainty given the ongoing tariff tensions and geopolitical developments.

'What we have done is to build a rise in US effective tariff (overall percentage of import duties that the US collects on its imports), guided by measures that have been announced and our internal assumptions on the timing, duration and coverage, into our baseline forecast.

'I must stress that conditions remain highly fluid. The potential for escalation or de-escalation of tariffs and geopolitical conflicts are factored into our downside and upside risks to this baseline growth projection.

'Headline inflation is expected to average between 2% and 3.5% in 2025, reflecting the potential upside from domestic policy measures. Nevertheless, we expect inflation to be manageable in line with easing global cost conditions and the absence of excessive domestic demand pressures.'

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Global growth is projected to grow between 2.8% to 3.3%

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Let me go a bit deeper into our analysis. On the global front, for our baseline, we expect global growth and trade to be broadly sustained in 2025. The global economy is expected to expand between 2.8% to 3.3%, aided by positive labour market conditions, moderating inflation and less restrictive monetary policy. Meanwhile, global trade is expected to grow between 2.7% to 3.2%. The outlook for global growth and trade is subject to considerable uncertainties surrounding tariff and other policies from major economies and geopolitical developments. Such uncertainties could also lead to greater volatility in the global financial markets.'

Despite external uncertainties, domestic demand will support growth

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Despite the global uncertainties, domestic demand will sustain our growth. We have favourable initial conditions and good fundamentals, providing a cushion against any potential external shocks.

'Several key factors explain the strength of domestic demand. First, higher household spending will be driven by income growth, healthy balance sheet and continued policy support. Second, the investment upcycle with the realisation of approved investments and national master plans. Third, government initiatives on civil servant salary adjustment and continued progress of public infra projects. Let me explain these three factors.'

Higher household spending driven by improving income, policy measures…

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'In 2024, we observed several interesting household consumption patterns. Car sales made a new all-time high of around 815,000 units. Spending on restaurants and hotels grew by 11.8% above the long-term average of 7.1% (2011-2019). Malaysians continue to travel and spend abroad, registering a year-on-year growth of 15.1% (2011-2019, average: 7.7%). In short, household

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spending has been really forthcoming. In 2025, household spending will continue to be the anchor of growth and is projected to expand at a faster pace of 5.6%.

‘This improvement in private consumption will be supported by brighter income prospects. One measure of income which is compensation of employees, is expected to improve amid higher labour utilisation. Growth of mixed income, which is the income from own small businesses or self-employment including the gig economy, is also projected to remain strong.

‘Government measures such as the salary increment for civil servant and the higher minimum wage will lend further support to overall income growth. These measures would positively affect at least 4 million workers in 2025.’

…and continued improvement in labour market conditions

Bank Negara Malaysia Governor Dato’ Seri Abdul Rasheed Ghaffour said,

‘The growth in income in 2025 will be facilitated by improving labour market conditions, despite wage growth being modest in 2024 compared to previous years.

‘The continued expansion in employment will support household spending in 2025. Additionally, the labour force participation rate has reached a historic high of 70.5%, while the unemployment rate is low and is projected to decline to 3.1% in 2025.’

Investment activity to be driven by realisation of new and existing projects

Bank Negara Malaysia Governor Dato’ Seri Abdul Rasheed Ghaffour said,

‘Investments will continue to be a bright spot in the economy. Total investment is projected to expand by 9.3% underpinned by sustained external and domestic demand conditions, positive investor sentiments, firms’ continued access to financing, and ongoing project realisations.

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‘Investment intentions remained forthcoming, with approvals reaching RM378.5 billion in 2024 (2023: RM329.5 billion). Out of this, domestic players contributed to a larger share of approved investments, reflecting local businesses confidence in Malaysia’s long-term economic prospects. This is expected to provide resilient support to investment as sustained domestic economic activities, together with strong domestic investment ecosystem, may help cushion against external uncertainties. Of significance, 84.5% of manufacturing projects approved between 2021 and 2024 are being implemented in various stages, from production to factory construction and machinery installation. We owe this faster implementation to better facilitation on the part of various agencies.’

Malaysia’s third investment upcycle characterised by high quality investments

Bank Negara Malaysia Governor Dato’ Seri Abdul Rasheed Ghaffour said,

‘In the Economic & Monetary Review, we feature a special box article titled "Deciphering Investment Cycles in Malaysia.” Since mid-2023, Malaysia has been experiencing its third investment upcycle. Notably, this current upcycle is pivoting towards quality investments, which will raise Malaysia's growth potential and sustainability.

‘Let me highlight a few key takeaways. First, compared to the second investment upcycle (2011–2015), the third upcycle is characterised by a larger share of investments in high value-added activities such as electrical and electronics (E&E) manufacturing and information, communication & technology (ICT) services. Second, the current upcycle sees higher investments in machinery and equipment, which will boost productivity. Third, the private sector is playing a more significant role in driving investments compared to the previous upcycle.

‘Looking ahead, Malaysia should prioritise policies to sustain this investment momentum, and more importantly to maximise the spillovers to the domestic economy. I encourage you to read this article, which offers some insights into the dynamics of the current investment upcycle.’

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Exports to expand at a moderate pace amid global uncertainties

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said,

'As global uncertainties weigh on trade, the pace of Malaysia's exports will be more moderate. Furthermore, commodity-related exports are expected to be lower due to planned maintenance in the oil and gas sector. Nevertheless, our diversified export products and markets will provide some cushion against external shocks.

'The global tech cycle is still ongoing with strong demand for AI, cloud computing and related peripherals. This will positively support our electrical and electronics (E&E) exports especially semiconductors which account for 25.7% of Malaysia's exports. As the sixth largest semiconductor exporter with 7.3% share of the global market in 2024, Malaysia is well integrated into the global supply chain.

'In addition, tourism is expected to play a more significant role in 2025. Tourist arrivals and receipts are projected to surpass pre-pandemic levels, fuelled by improved flight connectivity, the extension of visa free policies, and promotions leading up to Visit Malaysia Year 2026. We will also benefit from higher global travel demand - World Tourism Organization projects international tourist arrivals to grow between 3% and 5% in 2025.'

Malaysia's E&E exports to remain resilient amid global demand for semiconductors and devices

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said,

'The topic of semiconductors has been grabbing headlines of late, and this year we feature a box article entitled "Malaysia's Position in the Global E&E Value Chain and Prospects".

'Over the past five decades, Malaysia has emerged to become a critical hub for E&E production. About two-thirds of our E&E exports are comprised of semiconductors - which are highly complex and integral for the modern economy. Despite ongoing geopolitical uncertainties and concerns surrounding tariffs and trade restrictions, Malaysia's E&E exports are expected to remain

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resilient amid global demand for semiconductors and devices. This reflects the pivot towards widespread technology adoption, AI-enabled devices, new capacity for cloud computing and online services.

‘As the global race for semiconductors intensifies, it is imperative that our domestic E&E industry capitalise on emerging opportunities through the right strategies by investing into ecosystem enhancement, developing a deep talent pool, and encouraging more innovation. We invite all to explore the insights in our EMR 2024 box article.’

Current account surplus to range between 1.5% and 2.5% of GDP in 2025

Bank Negara Malaysia Governor Dato’ Seri Abdul Rasheed Ghaffour said, ‘Moving on, the current account of the balance of payments is projected to sustain a surplus in 2025, ranging between 1.5% and 2.5% of GDP. This will be driven by higher goods surplus and lower services deficit following continued improvement in inbound tourism.

‘The Government is also proactively considering measures to sustain the current account surplus in 2025 which include enhancing export competitiveness, reducing import reliance and advancing the tourism sector.’

Headline and core inflation expected to remain manageable

Bank Negara Malaysia Governor Dato’ Seri Abdul Rasheed Ghaffour said, ‘Now let me turn to inflation. Both headline and core inflation continued to trend below long-term trend (LT trend), averaging at 1.8% in 2024. Going into 2025, we expect inflation to remain manageable. While domestic policy measures such as fuel subsidy rationalisation may introduce some upward price pressures, these are expected to remain contained given the broader environment of moderating global costs and the absence of excessive demand-driven inflation.

‘Despite the moderation in overall inflation, cost-of-living concerns persist. It is important to recognise that the cost of living is shaped not just by price levels

but also by income growth. Since 2019, nominal wage growth has lagged behind the price increases, eroding purchasing power, particularly for essential goods such as food. This impact is most pronounced among lower-income households, who allocate a larger and increasing share of their income to basic necessities like food and housing. Put simply, for every RM100 the B40 earned in 2022, RM52 was channelled towards basic needs, affecting their ability to spend on important services such as insurance and financial services, as well as on discretionary items.

'For more on the cost of living and its policy implications, please have a look at our AR 2024 box article "Curbing Inflation, Easing Costs: The Policy Perspective"'.

The growth and inflation outlook are subject to risks

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said,

'In discussing the risks to growth and inflation, I must stress that we are now facing heightened uncertainties. In particular, there are considerable external uncertainties surrounding the growth outlook. On one hand, upside potential could come from pro-growth policies in major economies, greater spillover from the tech cycle, and faster implementation of investments projects. There are however downside risks to consider, stemming from more restrictive trade policies, and how other countries react and retaliate, escalation of geopolitical conflicts, weaker confidence and commodity production disruptions.

'The materialisation of these risks will determine where we end up in our forecast range of 4.5% to 5.5%.

'As for inflation, upside risk remains dependent on the extent of spillovers from domestic policies. Notably, should domestic demand turn out to be stronger, there is a tail risk that policy effects could drive higher inflation expectations, leading to more pervasive price increases. Externally, uncertainties surrounding geopolitical tensions and trade developments pose risks to global cost conditions.'

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Monetary policy will remain focused on maintaining price stability conducive for sustainable economic growth

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'For 2025, monetary policy remains focused on maintaining an environment of price stability conducive to sustainable economic growth in Malaysia. Amid global policy uncertainties, we are following these developments closely and remain vigilant against potential spillover effects on Malaysia's economy. Going forward, our monetary policy approach will continue to be data-driven amid the evolving economic landscape. Monetary policy will continue to be guided by the balance of risks surrounding the outlook on Malaysia's inflation and growth.'

The ringgit strengthened in 2024, facing more balanced risks in 2025

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'In 2024, the ringgit recorded an overall appreciation of 2.7% against the US dollar and 7.5% on a nominal effective exchange rate basis, or NEER, against Malaysia's major trading partners. Year-to-date as of 21 March 2025, the ringgit has appreciated by 1.1% against the US dollar and depreciated by 0.02% on a NEER basis.

'Going forward in 2025, foreign inflows following narrower interest rate differentials between Malaysia and the advanced economies are expected to lend support to the ringgit.

'However, downside risks arising from fewer US Fed rate cuts and uncertainties over the impact of US trade policies could weigh down the ringgit.

'Despite the continued influence of external factors on the ringgit's trajectory, Malaysia's favourable economic prospects and domestic structural reforms are expected to cushion against these external shocks. The ringgit's value continues to be market-determined, and BNM remains committed to ensuring an orderly functioning of the domestic foreign exchange market.'

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Financing conditions supportive of economic activity

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Moving on to financing conditions, credit to private non-financial sector expanded by 5.2% in 2024 (2023: 4.8%), driven mainly by higher growth in outstanding loans.

'Business loan growth recorded higher growth at 5.1%, primarily following an increase in loans for investment-related purposes due to the robust investment activities. Household loan growth was sustained at 5.9%, supported by labour market improvements.

'Going forward, financing conditions are expected to remain supportive of economy activity. This will be underpinned by banks' capacity and continued willingness to lend.'

Banks remain supportive of SMEs' financing needs

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'In 2024, financing by banks and DFIs remained supportive of SMEs' business needs with continued growth of outstanding financing at 8.1%. Disbursements and repayments for SME financing, both for working capital and investment-related purposes, was sustained at high levels due to improved business conditions and a positive economic outlook. We have also observed stable financing approval rates exceeding 80%. During the year, new SME financing approvals remained at a high level, with notable improvement particularly for the construction sector.'

Banks' capital and liquidity positions remain sound

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'The Malaysian banking system remained resilient, with healthy levels of capital and liquidity buffers to navigate through the uncertainties ahead and at the same time support credit intermediation to the economy.

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‘We also assess our banking system through our annual stress test exercise. In this exercise, our banks are subjected to two distinct stress scenarios. One is a severe economic shock scenario, and the other is a protracted low growth operating environment scenario. Both scenarios are more severe than that observed during the Global Financial Crisis (GFC) and 2020 pandemic.

‘The stress test results reaffirm that our banking system is sound, with total capital ratio remaining well above the minimum requirement of 8% under adverse scenarios**.’**

Repayment capacity of businesses and households remain preserved

Bank Negara Malaysia Governor Dato’ Seri Abdul Rasheed Ghaffour said, ‘Sustained economic growth and favourable labour market conditions have had positive impact to borrowers' repayment capacity. Overall businesses including SMEs show signs of sustained resilience against non-repayment risks, as firms maintained healthy liquidity buffers amid elevated cost pressures. Households’ debt-servicing capacity remains resilient supported by healthy balance sheet and prudent underwriting standards by banks.

‘However, with the increasing availability of non-bank credit facilities, the well-being of household consumers remains top priority. The recent tabling of the Consumer Credit Bill 2025 in the Dewan Rakyat aims to establish a Consumer Credit Commission to oversee various credit businesses (including BNPL providers) that do not fall under the Bank's purview. This will strengthen existing regulatory and supervisory arrangements, ensuring fairness, transparency, and protection for non-bank credit consumers.’

Financial capability and inclusion in advancing financial well-being

Bank Negara Malaysia Governor Dato’ Seri Abdul Rasheed Ghaffour said, ‘Moving on, financial capability and inclusion remain key to long-term financial well-being. The Financial Inclusion Framework Key Performance Indicators (KPIs) are developed to measure financial inclusion progress across three key dimensions, namely access, usage and capability. These KPIs are intended to

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enhance transparency and align the industry's efforts toward achieving common financial inclusion goals.

'The Second National Strategy for Financial Literacy (NS2.0), will serve as holistic roadmap to elevate financial capabilities, strengthen financial resilience and enhance financial well-being among Malaysians. It focuses on five Strategic Priorities, each designed to address financial needs at various life stages. The NS2.0 is set for final publication in the fourth quarter of 2025, building on the Discussion Paper published earlier in February this year. We encourage everyone to actively promote, support and take part in the NS2.0 initiatives.'

Scaling-up value-based finance to support socio-economic development

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Let me touch on Islamic finance, which has continued to support critical development needs such as affordable housing, climate transition and funding for small businesses. We are enhancing our regulatory frameworks to spur value-based innovation, and we collaborate with the industry to facilitate pilot programmes and implement better impact reporting.'

Strengthening fundamentals of Islamic finance for sustainable economic growth

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Over the next three years, efforts will be directed towards strengthening the fundamentals of Islamic finance ecosystem to support sustainable economic growth. This entails sharpening Malaysia's proposition as an international gateway for Islamic finance, advancing Islamic financial markets development to enhance market liquidity and grow Shariah-compliant investable assets and mainstreaming value-based finance in the overall financial system through impact-focused solutions and sound financial conduct.

'This year, via Malaysia's ASEAN Chairmanship, the Bank is actively working to unlock the potential of new growth sectors by integrating Islamic finance with sustainable and green finance initiatives. At the regional level, we believe that

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innovative financial solutions using diverse Islamic financial instruments, have significant potential to advance the decarbonisation agenda of ASEAN countries.'

Strengthening digital payment safety and soundness to boost payment adoption

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Our efforts in combatting financial fraud have shown positive outcomes, as phishing and malware scams reported to BNM have seen a downward trend. In order to preserve public confidence in the use of our digital payment systems, BNM continues to champion efforts in combatting scams. One key priority was to strengthen protection afforded to victims of online banking fraud. Built on the principles of transparency and joint accountability, an enhanced framework was developed to ensure fairer outcomes for both victims and banks. Although only implemented in October 2024, early observations have been positive. Banks have doubled their efforts to enhance investigation procedures and adopt a fairer compensation approach in line with BNM's requirements.

'For 2025, our focus will continue to be on ensuring banks effectively implement this framework to safeguard customers' interest. In line with Malaysia's whole of nation approach, we are also exploring to expand this framework to other key players such as telcos and e-commerce platforms to secure a safer digital ecosystem.'

Financial sector making further progress in supporting climate finance

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'We remain committed to advancing the climate agenda and strengthening climate resilience. This is important as Malaysia confronts severe physical impacts of climate events. Encouraging progress has been made by financial institutions with increasing offerings of green and transition-related financing solutions. These have facilitated SMEs to kickstart their transition journey towards green and sustainable operations. We also partner with the financial industry to decarbonise the economy via the Joint Committee on Climate

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Change (JC3), which we co-chair with the Securities Commission Malaysia. The JC3 has been instrumental in developing tools, guidance and frameworks to facilitate the financial sector in managing climate risk.

'The JC3 will continue to serve as a primary platform for driving collaboration and strategic initiatives. In supporting the execution of national policies and roadmaps, the financial sector can further contribute towards the nation's goal of net zero emissions by 2050.'

Futureproofing Malaysia's key financial infrastructures for greater efficiency and resilience

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'To futureproof our financial system and derive greater efficiency gains, BNM is actively pursuing initiatives such as the modernisation of key financial infrastructures and exploration of asset tokenisation.

'A key focus this year is exploring the potential of central bank digital currency (CBDC), prioritising wholesale CBDC for both domestic and cross-border payments. We will also continue to encourage responsible innovation within the financial sector to harness the potential of emerging technologies like blockchain. To this end, we are working with the private sector, including through the regulatory sandbox, to facilitate the testing of innovative solutions in a conducive regulatory environment.

'On the cross-border front, we actively collaborate with the Bank for International Settlements (BIS), and other central bank partners through Project Nexus and other cross-border CBDC-related projects. These projects have the potential to address existing pain points in cross-border payments among others by streamlining certain processes and reducing cost of transactions.'

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Imperative to uphold momentum in advancing deeper structural reforms

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'We are now at an important juncture for the nation. We have seen some successes of important policy design paired with timely implementation. The first phase of reforms has reflected the fundamental priorities such as improving fiscal discipline, strengthening our prospects for quality investments and improving wages. For instance, under the Progressive Wage Policy (PWP), entry level employees earning a median monthly salary of RM1,950 in 2024, now receive a median salary of RM2,200 per month. This reflects an increase of 13%. For non-entry level PWP employees, the median salary has risen by 9%, reaching RM2,400 compared to the 2024 rate.[1]

'While we continue with the aforementioned reforms, we must also focus on other critical initiatives which will drive our continued progress towards becoming a high-income nation.

'Foremost among these are implementing broader reforms to address rising cost of living, strengthening social protection, improving the education and healthcare system, and furthering efforts to attract quality investments that can offer higher quality jobs for Malaysians.'

Whole of nation approach to expedite reforms to address medical cost inflation

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'One area that the Bank has been working on is the issue of managing medical inflation. We have written a box article in the Annual Report detailing the implications of medical inflation to MHIT premiums, strategies to manage medical inflation and secure sustainable access to MHIT.

'Malaysia has been experiencing double-digit medical cost inflation for some time, higher than global and regional averages. This has prompted premium

[1] Source: Ministry of Economy, as reported by The Star, 14 March 2025

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adjustments to preserve sustainability of MHIT cover. However, ensuring MHIT remains accessible over the longer term requires addressing the root cause of rising medical cost, and this requires a whole-of-nation approach.

'To this end, the Bank is working together with key stakeholders including the Ministry of Finance, Ministry of Health, insurers and takaful operators (ITOs), private hospitals and consumer groups to implement key initiatives, guided by five strategic thrusts. Implementation of these five strategic thrusts is expected help contain medical costs inflation, in line with global trends and result in cost savings. This will help contribute to more sustainable premium adjustments over the longer term.'

16 box articles across AR, EMR and FSR publications

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'Across our three flagship publications this year, we have a total of 16 analytical box articles on various themes and topical issues. There are a few here which I would like to also highlight as they provide insights into key interesting topics. The article entitled "Supply shocks and implication for monetary policy" is closely related to the Bank's mandate and will give greater understanding on the Bank's monetary policy formulation. The article on inflation and cost of living emphasises the need for holistic policy reforms in addressing cost of living issues. Meanwhile, the article on "Deepening the Islamic Financial Market and Liquidity Management" offers insights into actions for market development in building a more resilient Islamic financial ecosystem. Please do give them a read. You can find them on our website.'

Summary

Bank Negara Malaysia Governor Dato' Seri Abdul Rasheed Ghaffour said, 'I have come to the end of my presentation. A few quick final points. The Malaysian economy is projected to grow by 4.5% to 5.5% in 2025, supported by resilient domestic demand. Meanwhile, export is expected to expand at a moderate pace given the global developments. Headline inflation is expected to average between 2% and 3.5%. Risk to the economic outlook remains,

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stemming from both external and domestic factors. Finally, the banking sector's capital and liquidity positions remain strong and will continue to lend support to economic activities.'

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