Sidang Akhbar

Prestasi Ekonomi Suku Pertama Tahun 2025

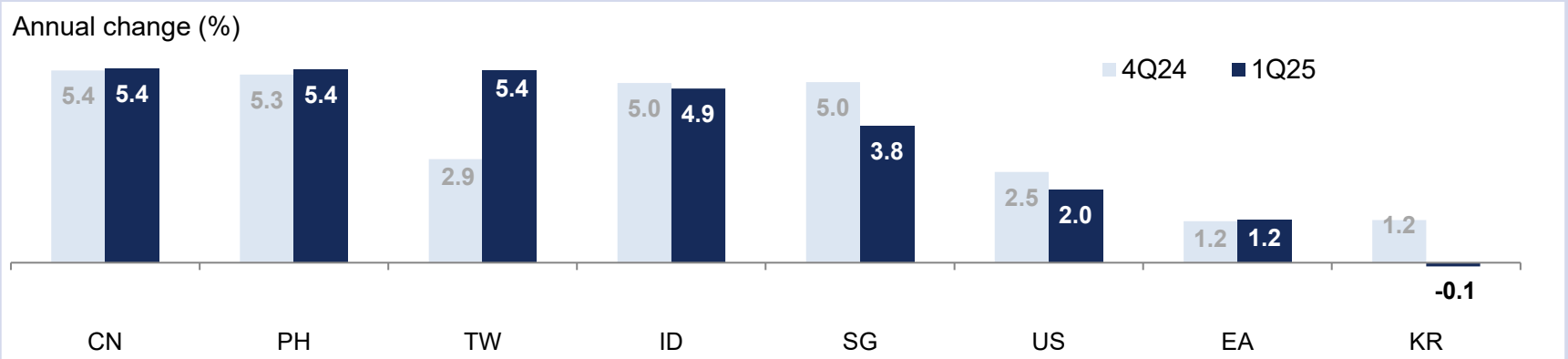
16 Mei 2025

BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

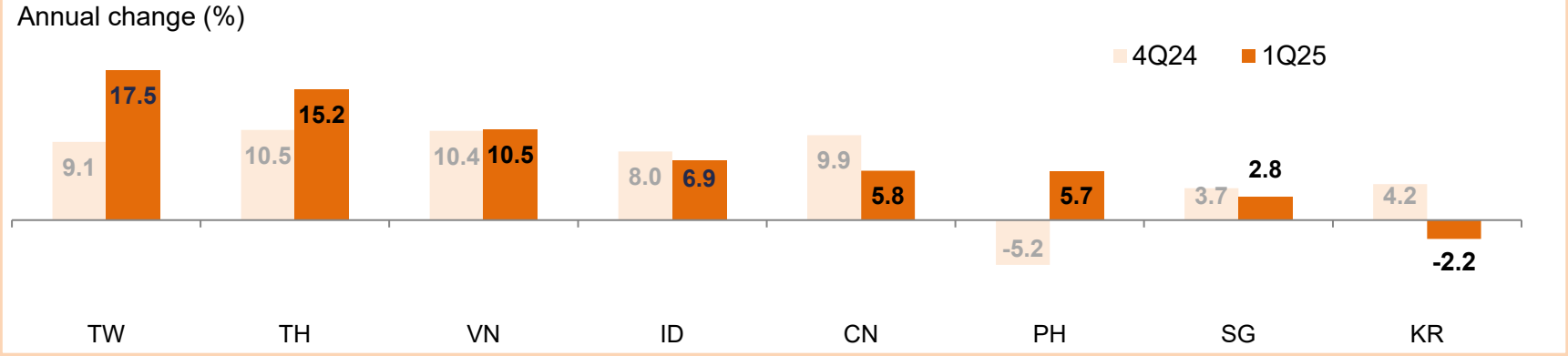
JABATAN PERANGKAAN MALAYSIA
DEPARTMENT OF STATISTICS MALAYSIA

Continued global growth in 1Q 2025

Real GDP Growth[1]



Regional Trade Growth



Global Growth Developments

Global growth supported by domestic demand amid positive labour markets

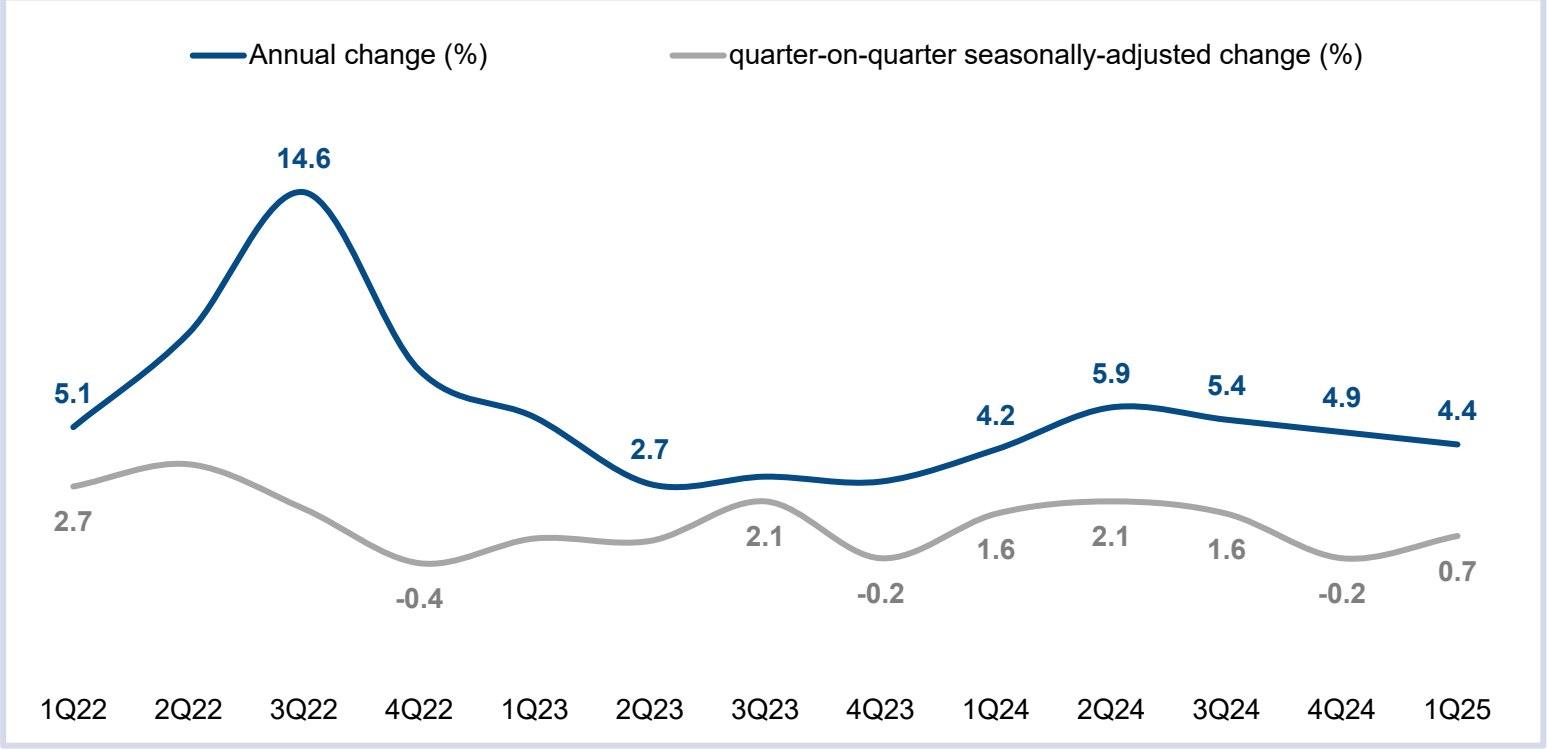
Trade activity in some countries supported by front-loading purchases ahead of rise in tariffs

Moderating inflation in emerging economies

Note: [1]GDP for the first quarter of 2025 are advanced or preliminary estimates except for China, Philippines and Indonesia
Sources: National authorities, International Monetary Fund, Bank Negara Malaysia estimates

Malaysia's economy expanded further by 4.4% in 1Q 2025

Real GDP Growth (Quarterly)



Factors Supporting Growth in 1Q 2025

- Sustained household spending growth amid positive labour market conditions and policy support
- Steady expansion in investment activities
- Continued export growth supported by E&E exports and tourism activity

Factors Weighing on Growth in 1Q 2025

- Lower oil and gas production
- Normalisation in motor vehicles sales and production amid high base effect

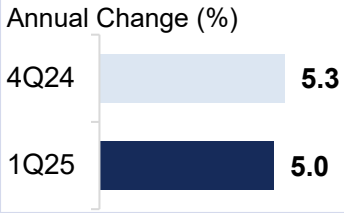
Monthly Real GDP Growth (Annual change, %)

Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
5.0	5.1	4.7	3.5	3.6	6.0

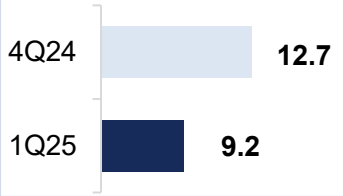
Source: Department of Statistics Malaysia

Growth underpinned by expansion in demand and most economic sectors

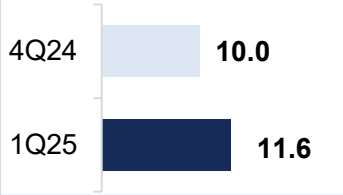
Demand-Side



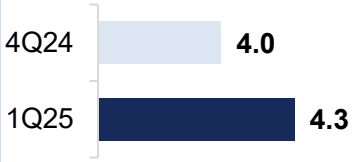
Private Consumption
Positive labour market conditions and policy support



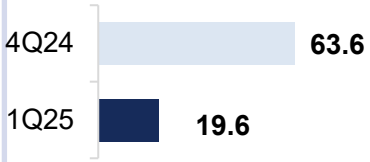
Private Investment
Steady growth in structures investment and machinery & equipment spending



Public Investment
Stronger fixed assets spending by the Government and public corporations

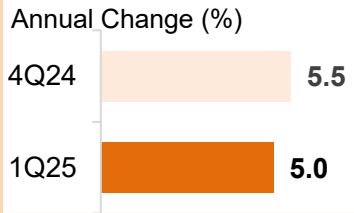


Public Consumption
Higher emoluments spending

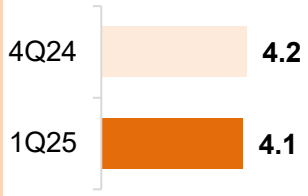


Net Exports
Slower export growth due mainly to lower mining exports

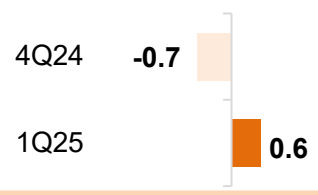
Supply-Side



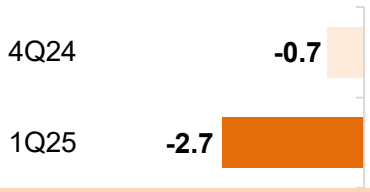
Services
Higher growth in Government services as well as retail segment, amid a decline in motor vehicle sales



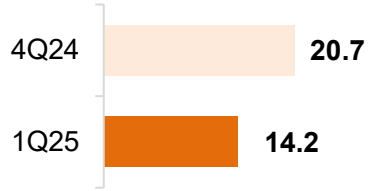
Manufacturing
Faster growth in export-oriented manufacturing, weighed by contraction in motor vehicles output



Agriculture
Stronger growth in fishery and other agriculture subsectors, offsetting contraction in oil palm output



Mining
Lower oil and natural gas output

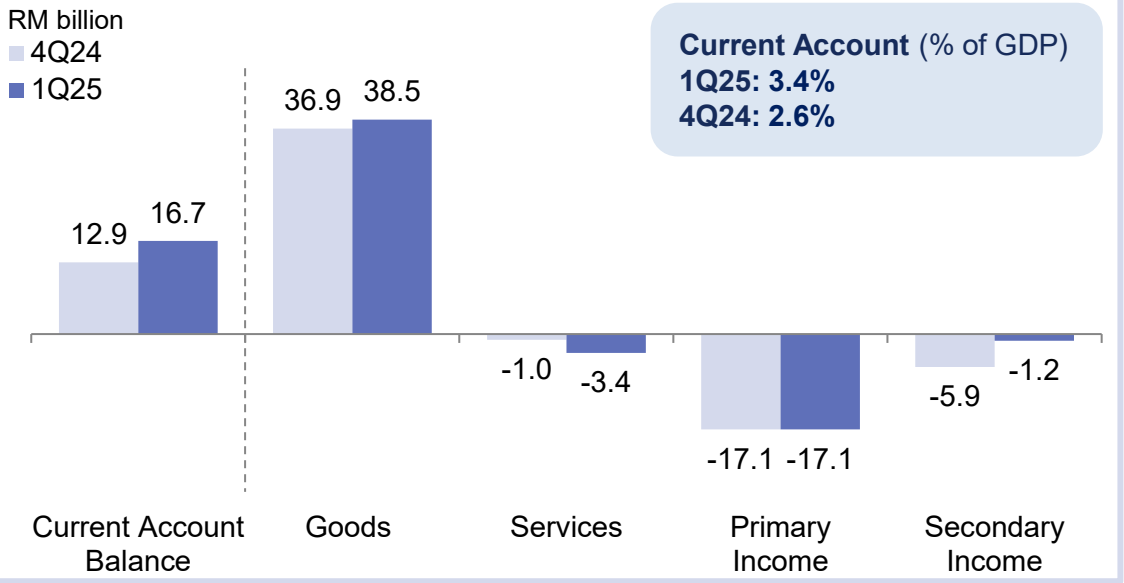


Construction
Continued robust growth driven by non-residential and special trade subsectors

Source: Department of Statistics Malaysia

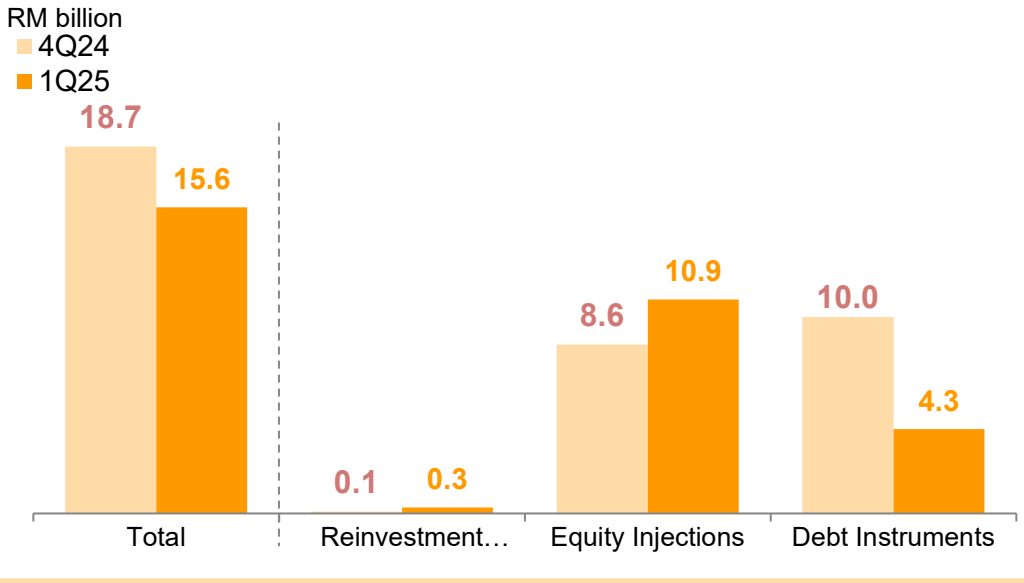
Larger current account surplus with continued FDI inflows

Current Account



- Higher goods surplus due to lower imports amid strong E&E exports
- Wider services deficit driven by lower manufacturing services balance
- Narrower secondary income deficit and sustained primary income deficit

Foreign Direct Investment



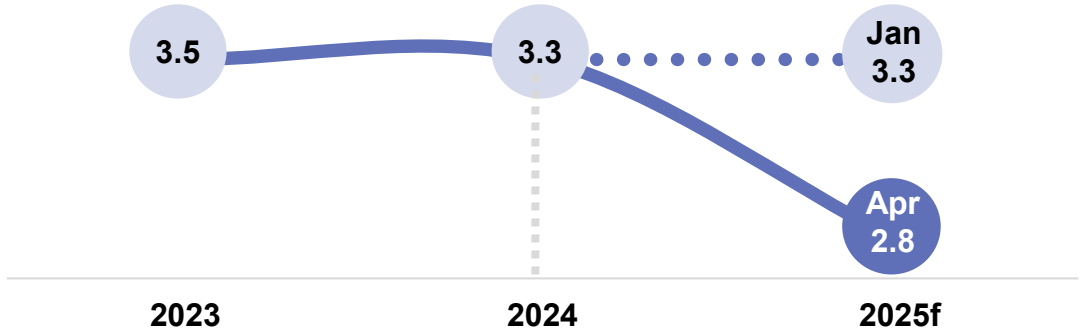
- Continued FDI inflows supported mainly by equity injections, reinvestment of earnings and debt instruments
- FDI was mainly channelled into the financial services and ICT sub-sectors

Source: Department of Statistics Malaysia

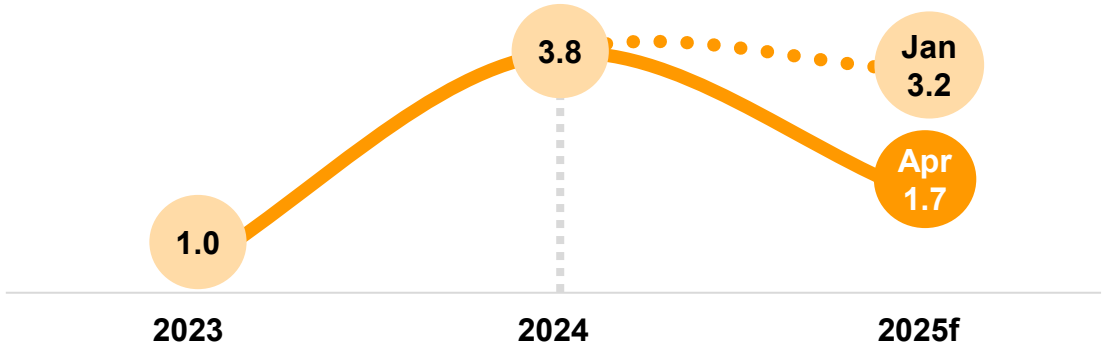
Global environment has become highly uncertain amid significant shifts in trade policies of major economies

Multilateral agencies revised global GDP and trade outlook down following US tariff measures and retaliations

Real GDP, Annual Change (%)



Global Trade, Annual Change (%)



Note: The WTO, the World Bank, and AMRO have also revised their respective growth outlooks lower.
Source: International Monetary Fund.

Nevertheless, cyclical and structural drivers remain supportive of global growth

Cyclical drivers

- ✓ Positive labour market conditions
- ✓ Less restrictive monetary policy by major central banks
- ✓ Fiscal stimulus in major economies e.g. CN, EU
- ✓ Continued E&E demand, driven by upgrades in AI-related technology

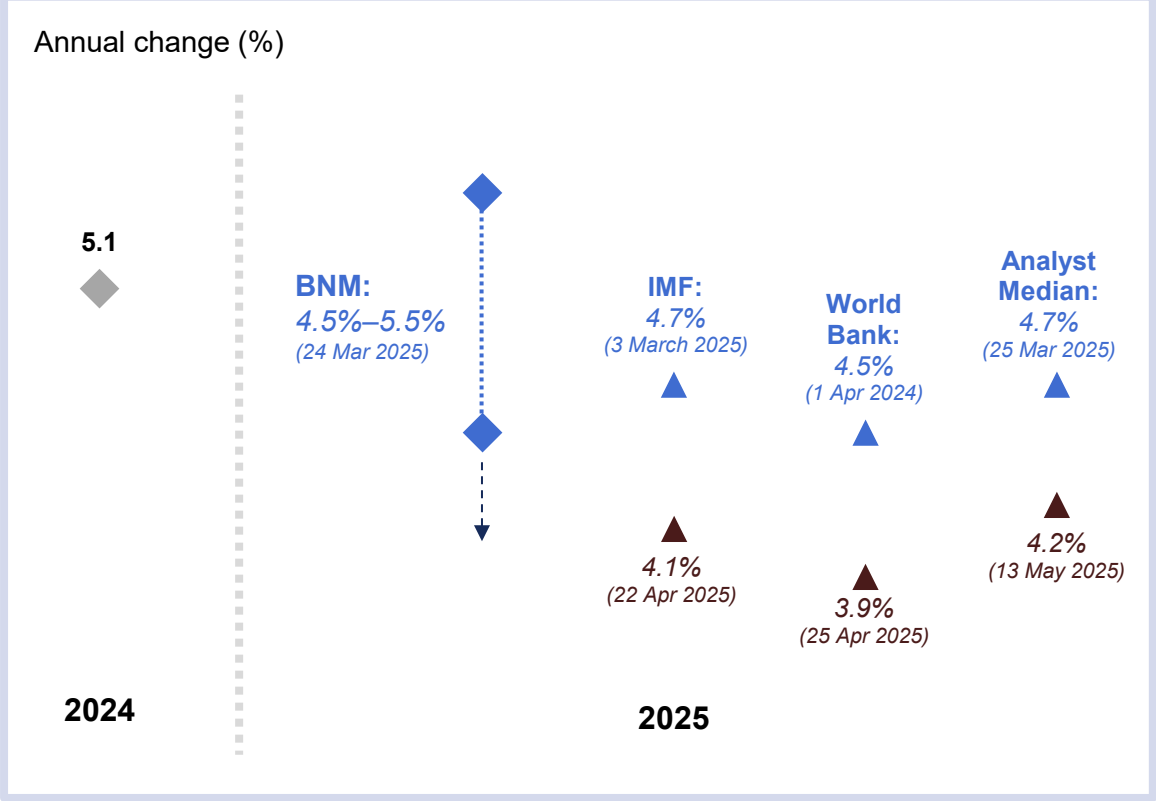
Structural drivers

- ✓ Higher technology adoption from digitalisation and automation
- ✓ Lower carbon transition accelerates renewable energy adoption
- ✓ Continued intra-regional trade amongst economic blocs e.g. EU, ASEAN

Malaysian economy to be affected by changes in global trade policies, though resilient domestic demand will anchor growth

Internal estimate points to growth to be slightly lower than earlier forecast of 4.5%–5.5%

Real GDP Growth



Source: Department of Statistics, Malaysia, International Monetary Fund, World Bank, Bloomberg

Nevertheless Malaysia is facing this challenge from a position of strength

Factors Supporting Growth

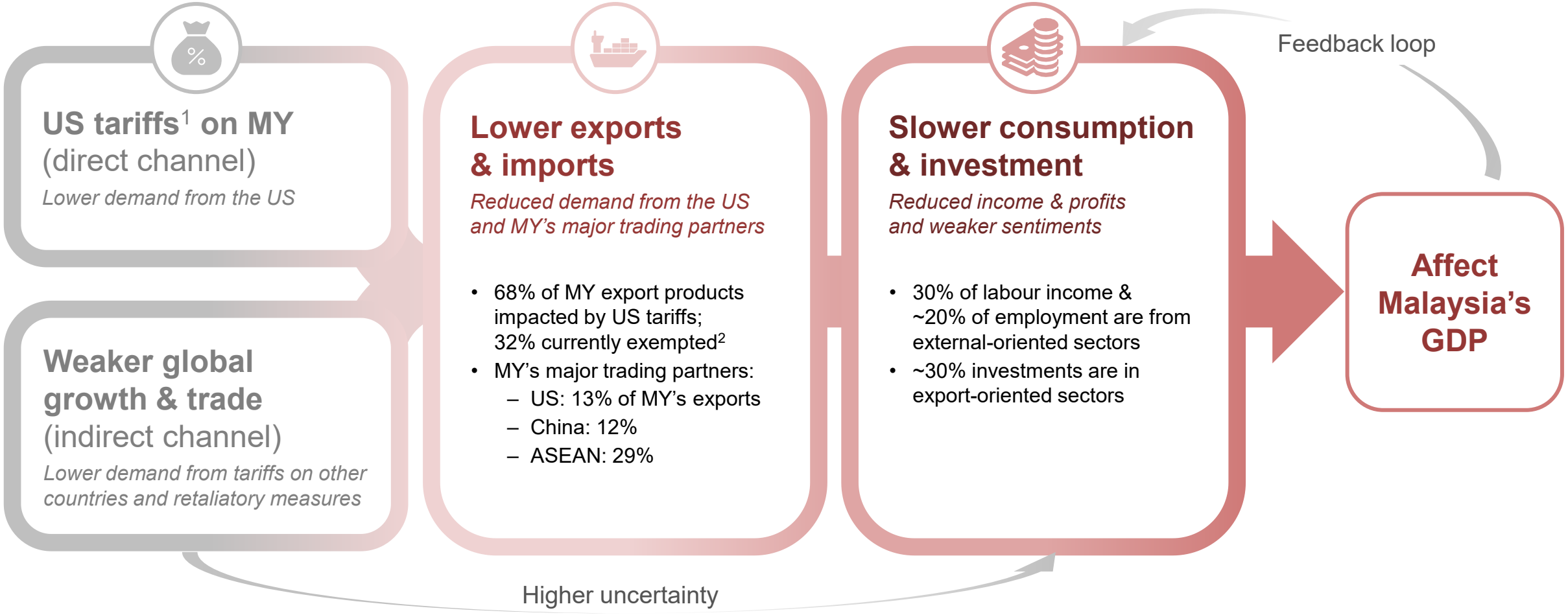
Sustained household spending
Support from continued wage growth and income-related policy measures

Continued realisation of investment projects
Implementation of investment approvals particularly among domestic players

Cushion from E&E and tourism sectors, and diversified export structure
Continued demand for E&E goods, alongside higher tourist arrivals and diversified export products and markets

Transmission channels of trade restrictions on Malaysia's GDP

Escalation in trade tension and the heightened uncertainties to weigh on external trade and spill over to domestic demand



[1] Reciprocal tariffs on all countries, except China, are being exempted temporarily for 90 days from 10 April 2025. China's tariff is being exempted temporarily for 90 days from 14 May 2025.

[2] Products under Annex 2 list are currently exempted, while selected E&E products (e.g. smartphones, laptops) are exempted temporarily (no official details on the expiry date).

Source: Department of Statistics Malaysia, Malaysia External Trade Development Corporation (MATRADE), Malaysia Investment Development Authority (MIDA), Bank Negara Malaysia estimates

Impact of tariffs may be delayed, with E&E and tourism sectors providing some cushion

The impact of tariffs is not immediate

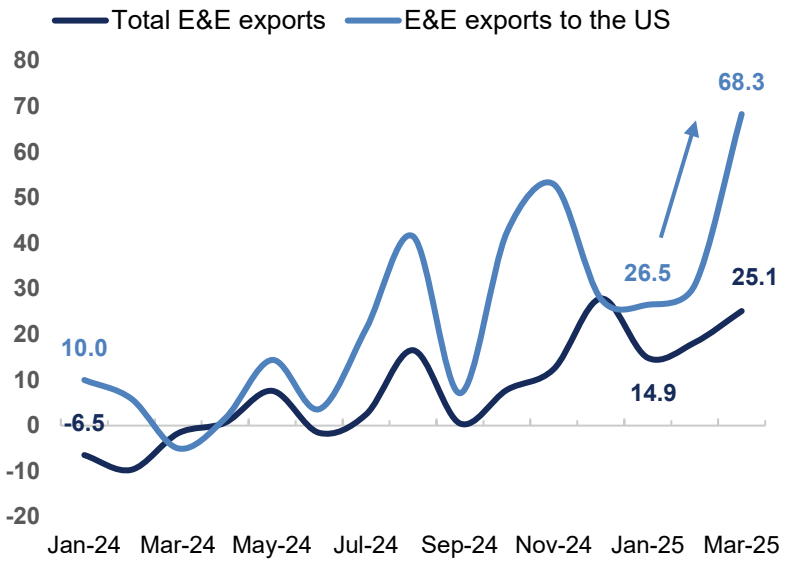
Front-loading of exports to the US during the 90-day tariff pause period

Tariff exemptions on Malaysia's key export products
(e.g.: Semiconductors)

83% of Malaysia's exports to the US are price inelastic[1]
(e.g.: Semiconductors, office machines, optical scientific equipment)

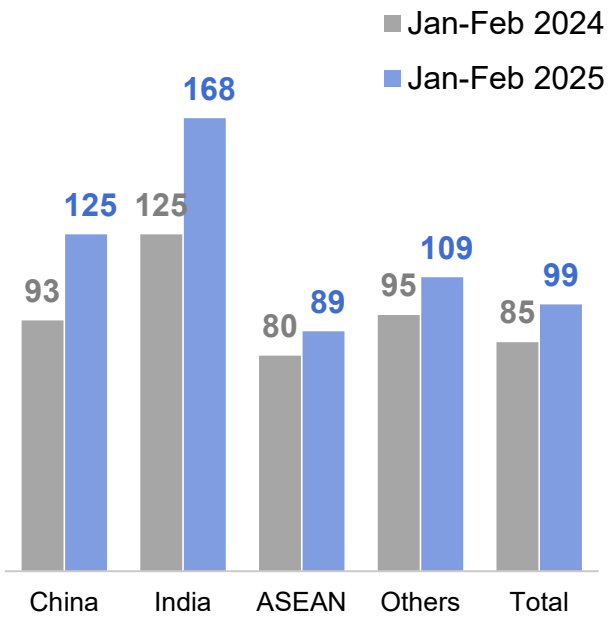
Continued demand for E&E goods, with signs of front-loading

Malaysia E&E exports
Annual change (%)



Higher tourist arrivals will also contribute to higher tourist spending

Tourist arrivals,
% 2019 level

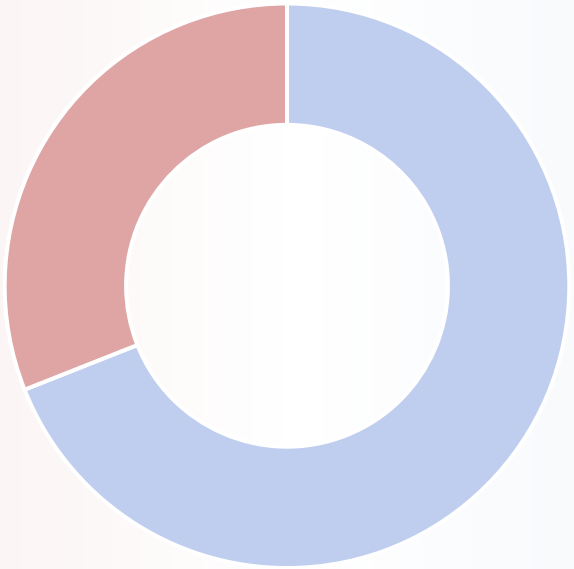


Note: [1] Based on US's import price elasticity as estimated by UN ESCAP (2020) in "'New global estimates of import demand elasticities: a technical note", and scaled to short-term elasticity based on American Economic Review (2023) 'The long and short (run) of trade elasticities'. Price inelastic goods refers to products with elasticity below 1, while price elastic goods refers to products with elasticity equal to or above 1.
Source: Department of Statistics Malaysia, Global Trade Atlas, UN ESCAP, AER, CEIC, Tourism Malaysia and staff estimate

Engagements with firms suggest that negative impact from tariff could be limited in the short-term

Preliminarily, most firms did not expect significant impact from tariffs in the next three months

How will you be impacted by tariffs in the next three months?



31% *of firms surveyed are negatively impacted*

due to

Lower final demand

General demand uncertainty

Higher business costs and prices

69% *of firms surveyed are not affected or positively affected*

due to

Products exempted from tariffs

Limited exposure to the US

Orders secured in near-term

Front-loading to build inventory

Note: Findings based on corporate engagements between 20th April and 13th May 2025.
Source: Bank Negara Malaysia Regional Economic Surveillance Industrial Engagements

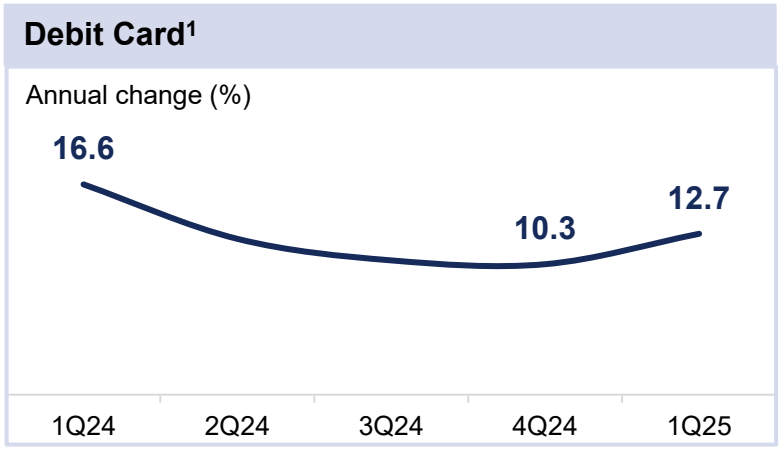
Household spending continues to anchor growth

Household spending continues to expand..

Index of Retail Trade

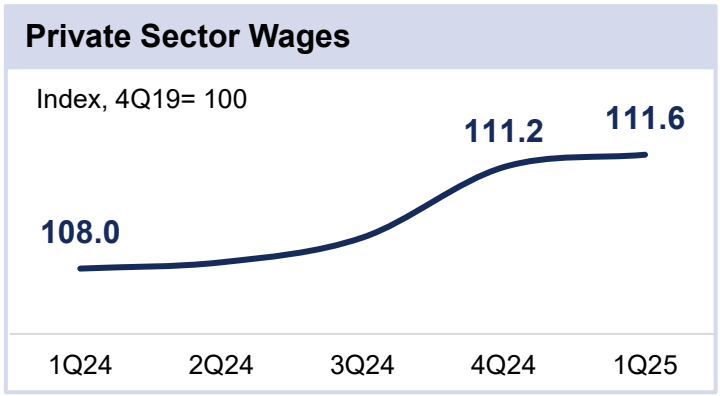


Debit Card[1]

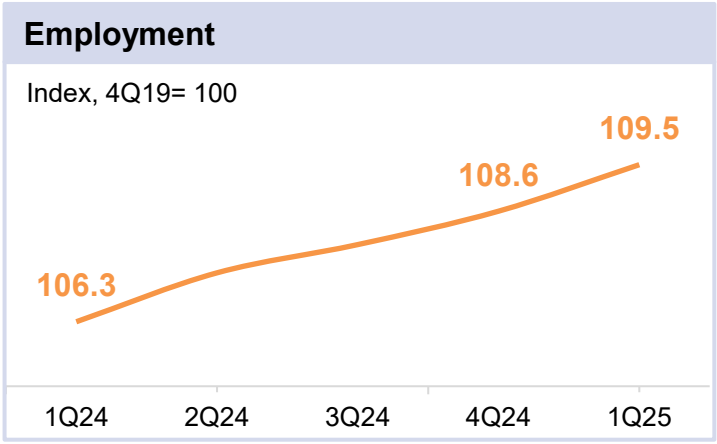


…supported by positive labour market conditions

Private Sector Wages



Employment



Consumer spending to remain resilient going forward

Continued employment and wage growth, particularly within domestic-oriented sectors, as well as income–related policies[2]

Sound household balance sheets with limited signs of financial distress

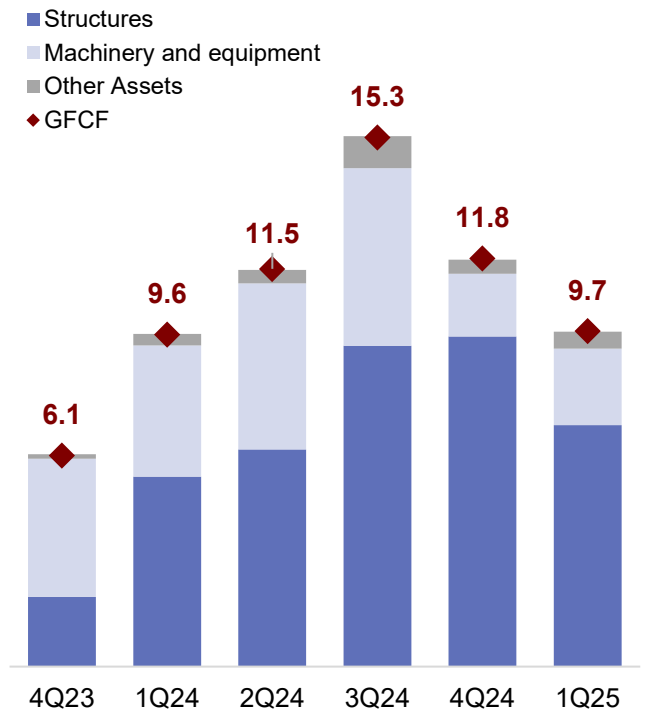
Targeted cash transfers to supplement household income

[1] Value of transactions include overseas transactions by local cardholders but exclude cash advances.
[2] Refers to policies such as the revision in civil servant salaries and increase in minimum wage.
Source: Department of Statistics Malaysia and Bank Negara Malaysia

Investment growth underpinned by forthcoming investment intentions and stronger domestic participation amid rising global uncertainties

Investment activity to be sustained…

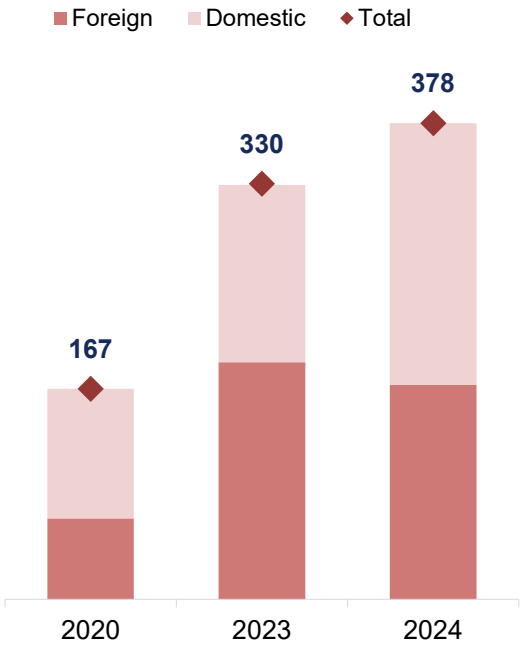
Real Gross Fixed Capital Formation
Annual change (%), ppt contribution



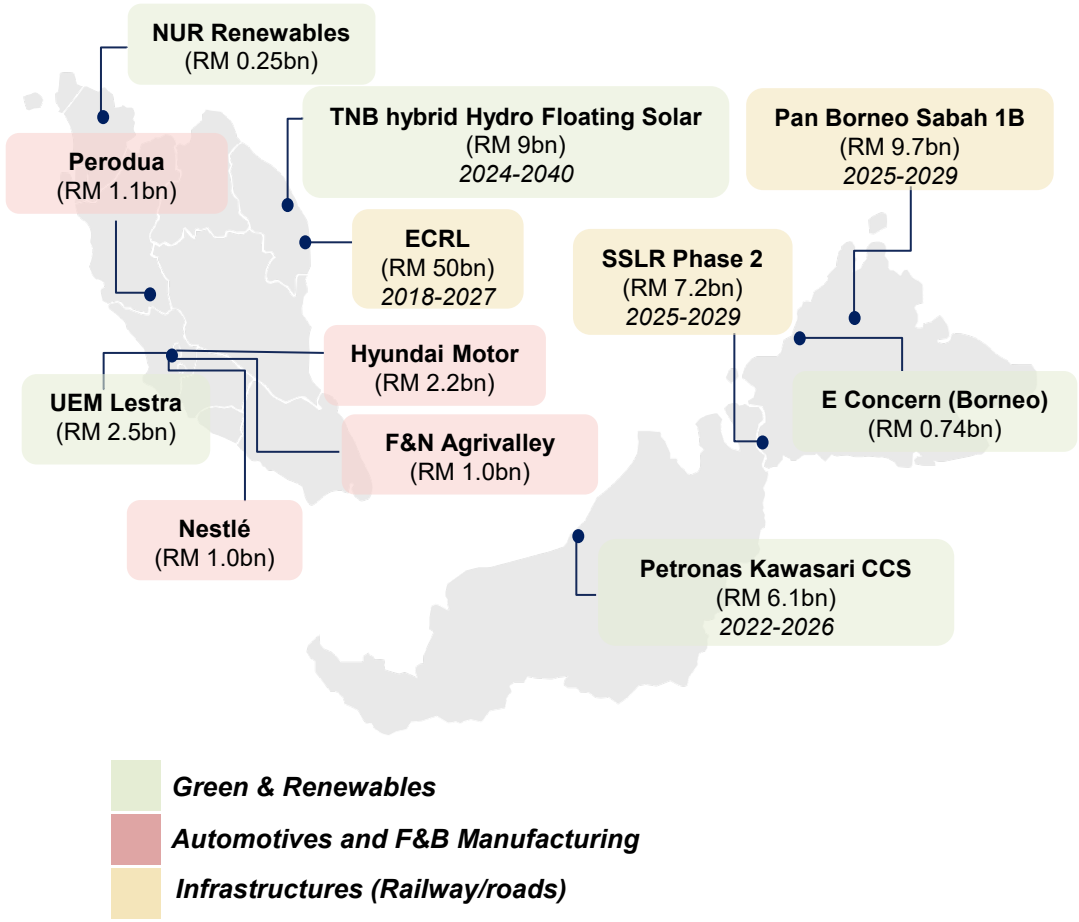
Source: Department of Statistics Malaysia

… supported by progress of multi-year projects and continued high realisation of approved investments, especially from domestic players

MIDA: Foreign vs Domestic Approved Investment
RM billion



Source: MIDA, news flows



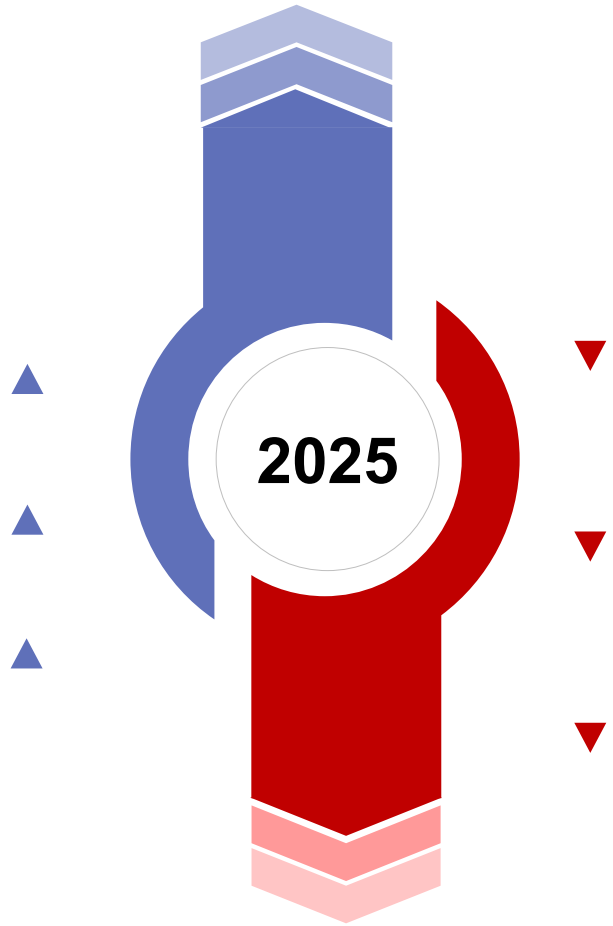
Overall balance of risk to growth is tilted to the downside

Upside risks

Favourable **trade negotiation** outcomes

Pro-growth policies in major economies

More robust **tourism activity**



Deeper slowdown in major trading partners as a result of trade restrictions

Weaker sentiment amid higher uncertainties affecting spending and investments

Lower-than-expected **commodity production**

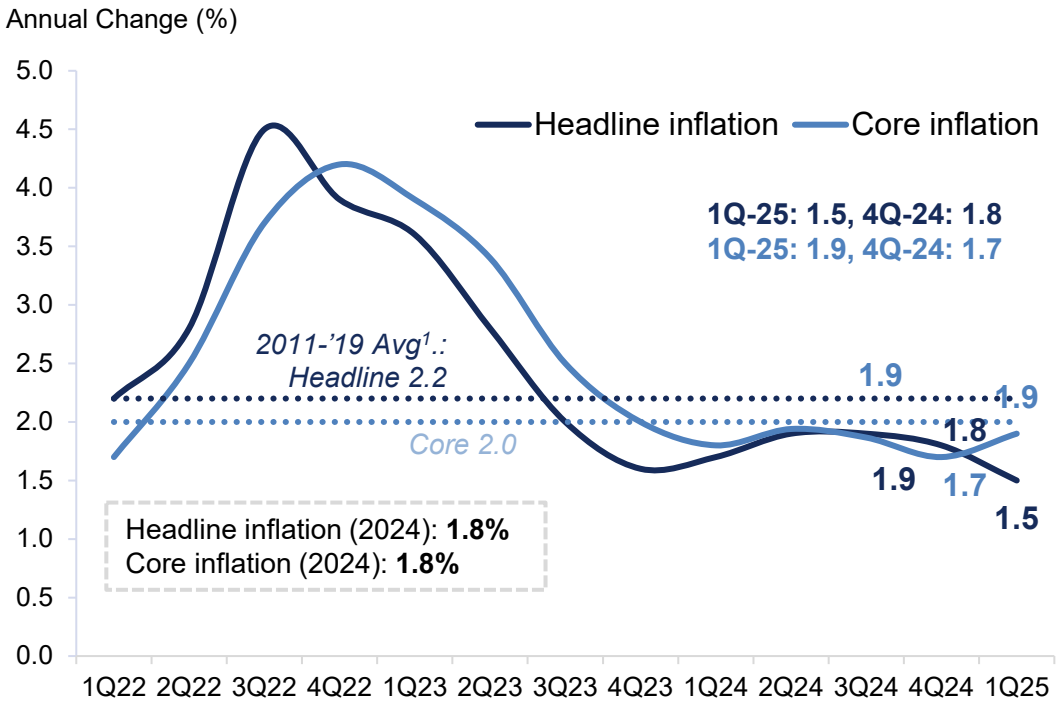
Downside risks

Source: Bank Negara Malaysia

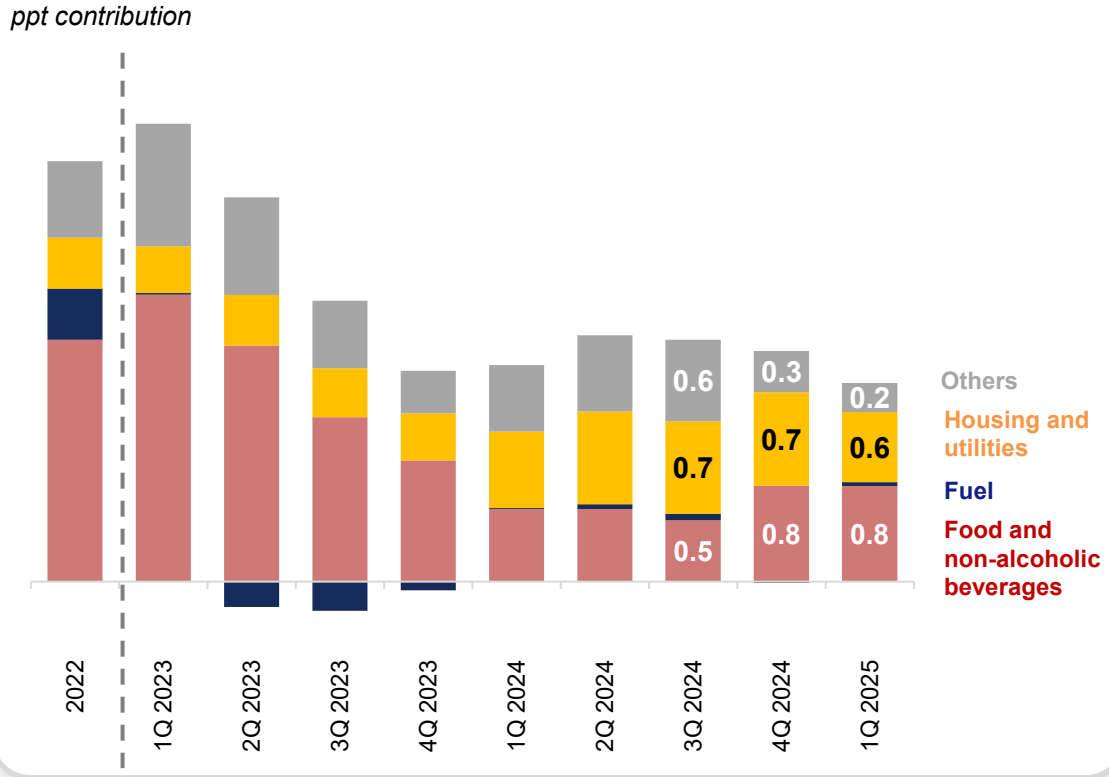
Headline and core inflation remained moderate in 1Q 2025

Headline inflation declined to 1.5% and core inflation rose to 1.9%, due lower utilities and mobile services inflation which were partially offset by higher rental inflation

Malaysia's Headline and Core Inflation



Breakdown of Headline Inflation

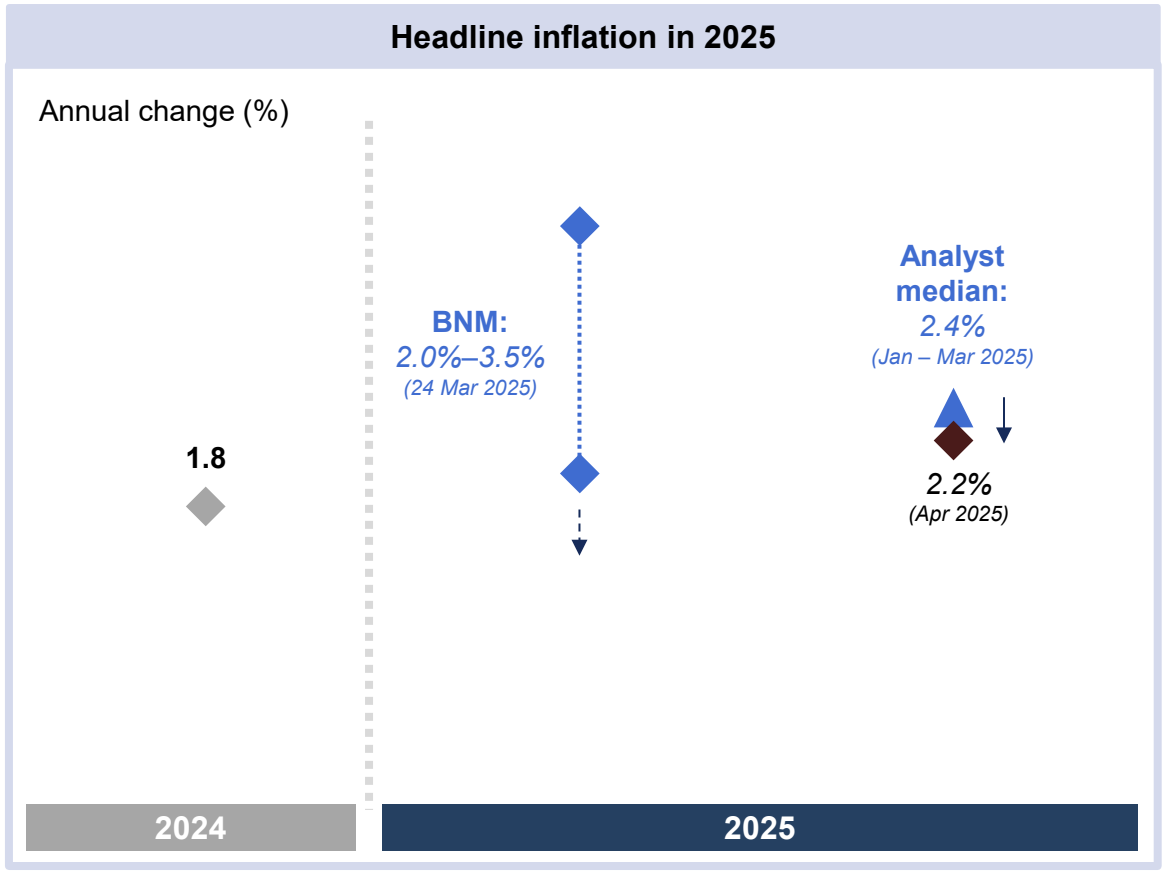


Note: [1] Average of past inflation is calculated based on monthly frequency from Jan-11 to Dec-19
Source: Department of Statistics Malaysia and Bank Negara Malaysia estimates

Source: Department of Statistics, Malaysia and Bank Negara Malaysia estimates

Going forward, the inflation outlook is projected to remain moderate, amid more benign global cost conditions and absence of excess demand

Further easing of global cost conditions is expected to contribute to moderate headline inflation in 2025



Sources: Department of Statistics Malaysia, BNM estimates and consensus forecast

Upside risks to inflation in 2025

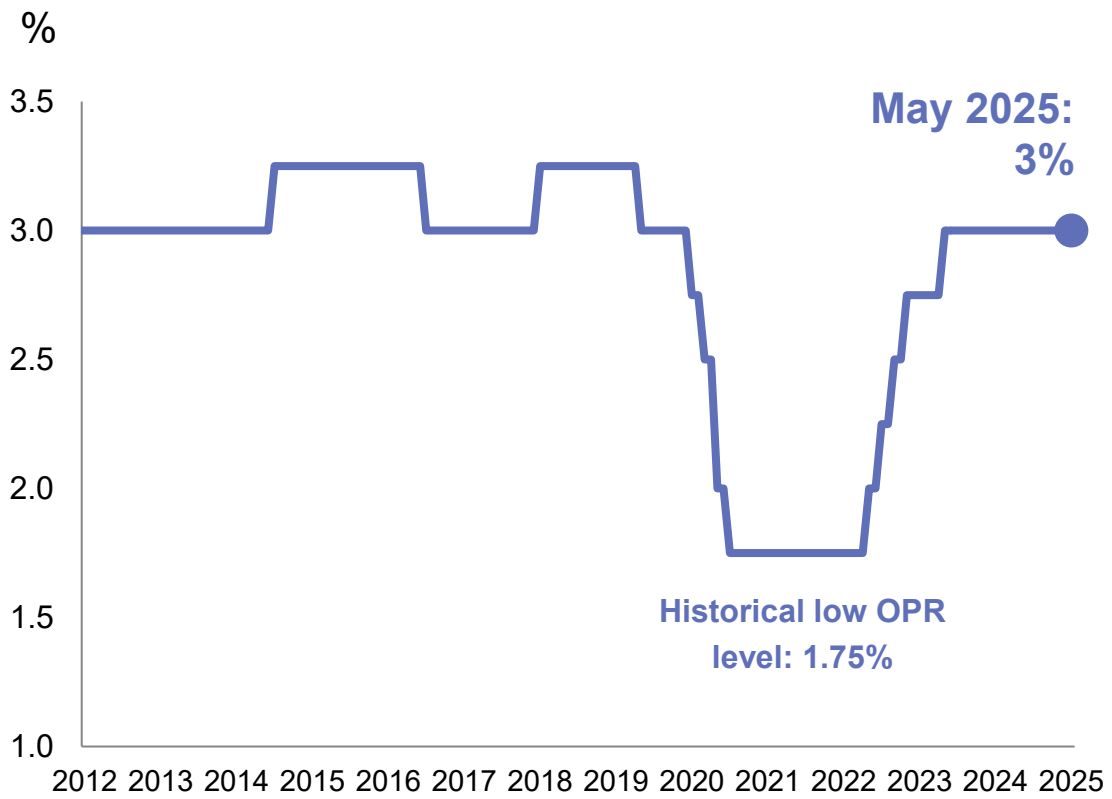
- ▲ Higher global commodity prices amid supply chain disruptions
- ▲ Higher external cost conditions from financial market uncertainties
- ▲ Larger spillovers from domestic policies to broader prices

Downside risks to inflation in 2025

- ▼ Lower global commodity prices from weaker global demand conditions
- ▼ Smaller than expected cost pass-through from policy reforms
- ▼ Slower wage growth amid weaker export demand

The OPR was maintained at 3% at the May MPC meeting

Overnight Policy Rate, OPR



Monetary policy stance is consistent with the current assessment of domestic inflation and growth prospects

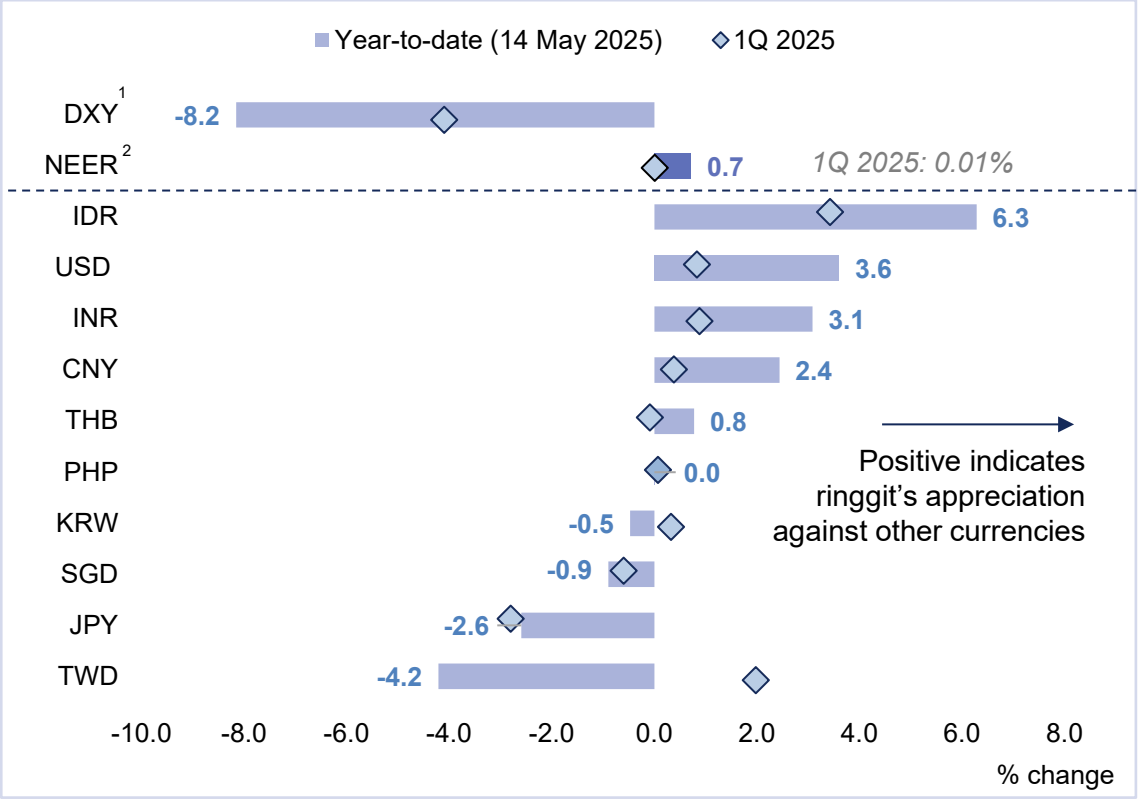
- *Resilient domestic demand would continue to support Malaysia's growth*
- *But, trade tensions and heightened global policy uncertainties will weigh on external sector*
- *Inflation would remain manageable*

The MPC remains vigilant to ongoing developments to inform the domestic economic outlook assessment

Source: Bank Negara Malaysia

Ringgit remained broadly stable against currencies of major trade partners in the first quarter of 2025

Ringgit's Movements Against Selected Currencies



Note:
[1] The US dollar Index (DXY) is an index of the US dollar value against a basket of foreign currencies, namely EUR (57.6%), JPY (13.6%), GBP (11.9%), CAD (9.1%), SEK (4.2%), and CHF. (3.6%).
[2] NEER refers to the ringgit nominal effective exchange rate, measuring the ringgit's performance against a basket of currencies of Malaysia's major trading partners.
Source: Bank Negara Malaysia and Bloomberg

Key Drivers of the Ringgit

Global investor risk aversion
Increased expectations of a more subdued US growth amid uncertainties surrounding US trade policies

Rising concerns over impact of trade tariffs
Downside risks to the global trade and economic outlook

Continued coordinated efforts
Encouraging GLCs and GLICs to repatriate overseas income to ensure sufficient liquidity in the domestic FX market

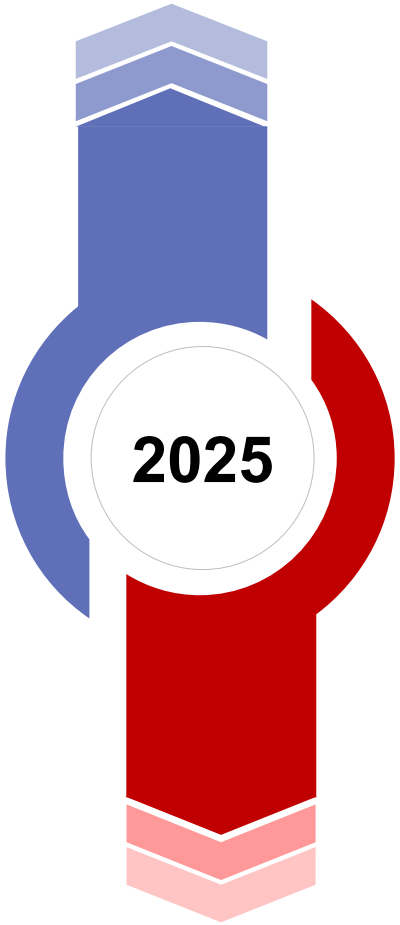
Year-to-date (as of 14 May 2025): Ringgit appreciated by 0.7% on a NEER basis and by 3.6% against the US dollar.

Resilient domestic macroeconomic prospects expected to continue supporting the ringgit amid external challenges

Upside risks

Favourable domestic developments and efforts to encourage flows are expected to continue supporting the ringgit

- ▲ **Narrowing interest rate differentials** between the advanced economies and Malaysia
- ▲ **Resilient domestic macroeconomic prospects** and **ongoing initiatives to encourage flows**



- ▼ **Larger negative spillover from global economic slowdown** following US trade and tariff restrictions
- ▼ **Escalation in geopolitical tensions and trade war** from US economic policies leading to deteriorating investor risk sentiment

Downside risks

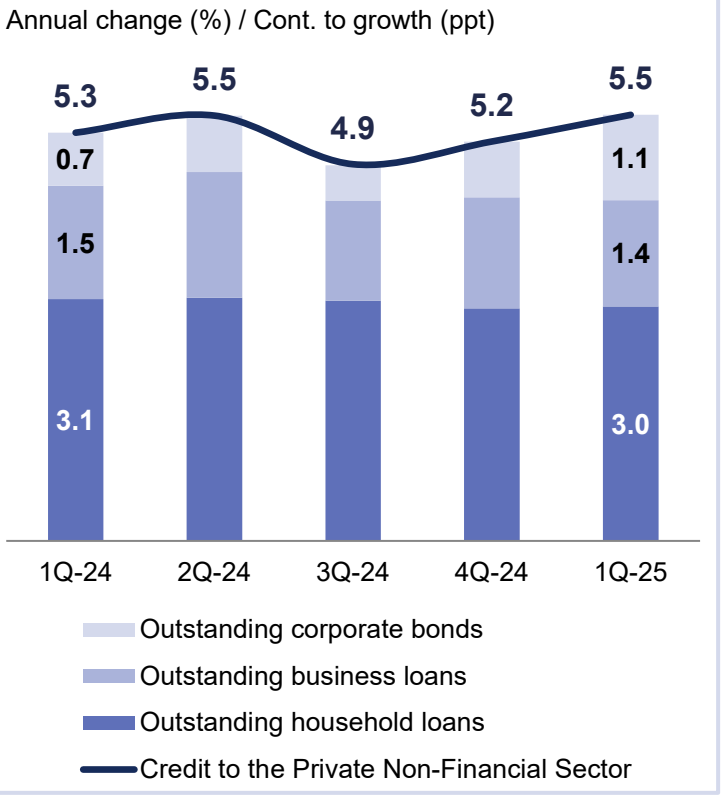
Nevertheless, downside risks remain mainly from external factors

Source: Bank Negara Malaysia

Credit growth increased amid higher growth in outstanding corporate bonds

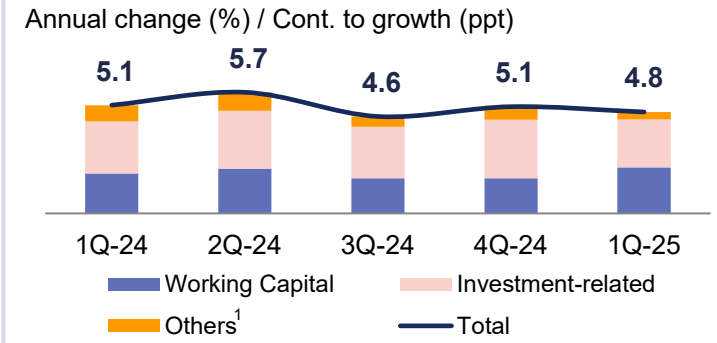
Higher credit growth following increase in growth of outstanding corporate bonds…

Credit to the Private Non-Financial Sector

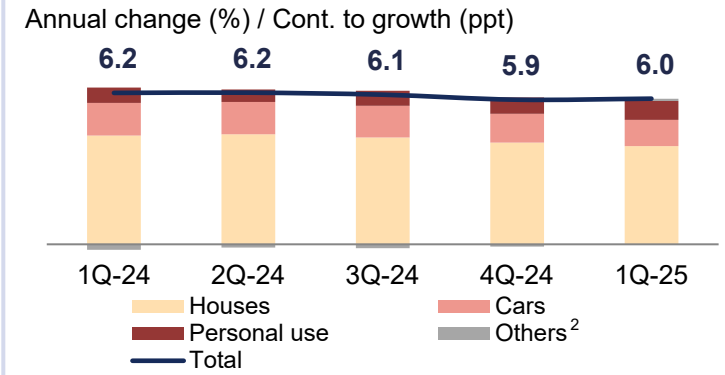


…while business and household loan growth was sustained

Outstanding Business Loan Growth

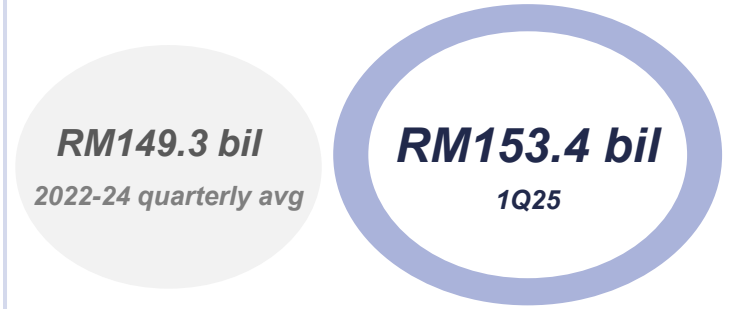


Outstanding Household Loan Growth

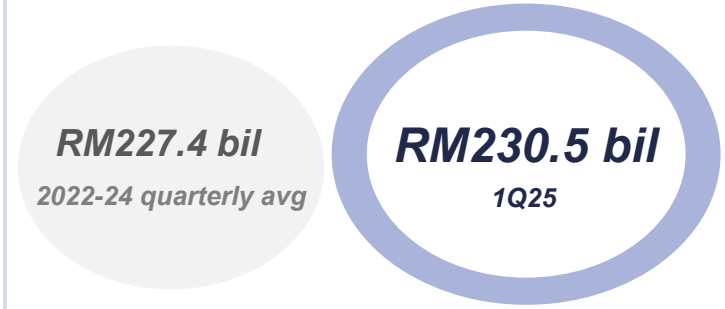


Demand for credit remained forthcoming across both businesses and households

Business Loan Application Level



Household Loan Application Level



[1] Includes loans for the purchase of securities, mergers and acquisitions, credit cards, and other purposes
[2] Includes loans for the purchase of non-residential property, credit cards, and other purposes
Source: Bank Negara Malaysia

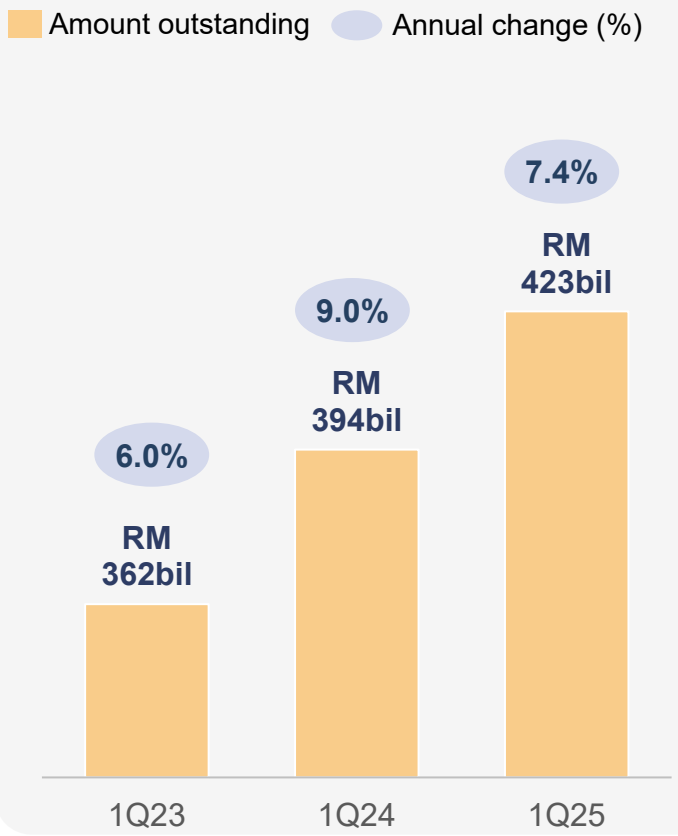
Banks remain supportive of SME business activities in 1Q 2025

Moderated growth of SME financing at 7.4%

Increased demand for working capital financing to support business operations

Financing approvals and disbursements remain forthcoming for both purposes

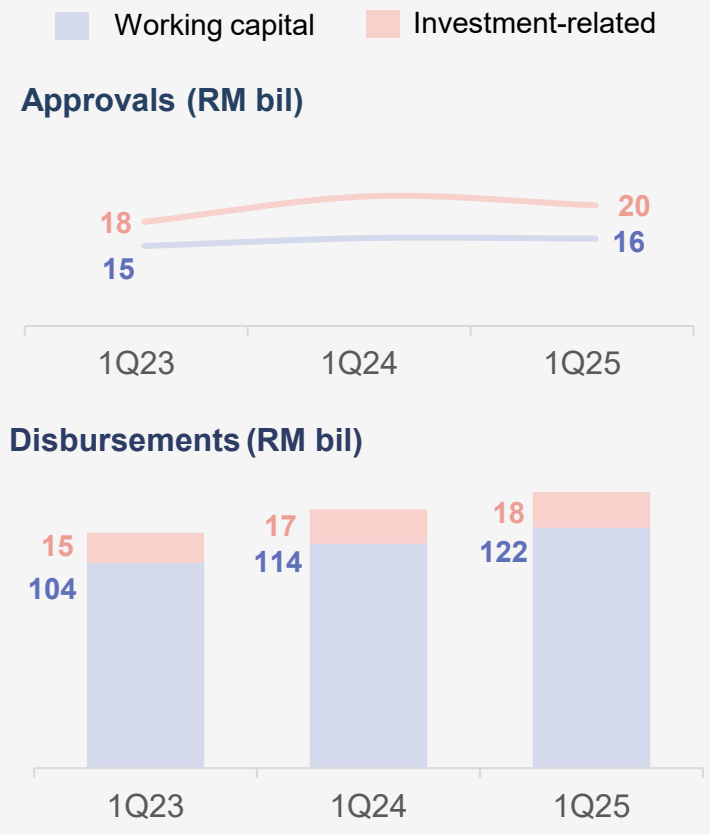
SME Financing: Outstanding



SME Financing: Applications by Purposes



SME Financing: Approvals and Disbursements



1/ Investment-related purpose includes financing for the purchase of non-residential properties, residential properties for business use, fixed assets (incl. cars), and construction activity.
Note: Reflects loan/financing from the banking system and development financial institutions (DFIs)
Source: Bank Negara Malaysia

Banks remain well-positioned to support financial intermediation

Banks' strong capital and liquidity positions help sustain financing to the real economy

As at March 2025

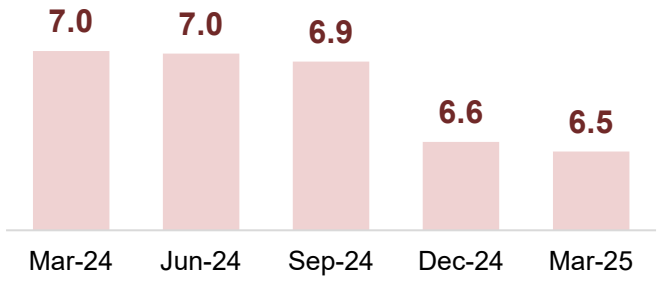
17.7% — **Total Capital Ratio** *(Dec-24: 18.3%)*

151.6% — **Liquidity Coverage Ratio** *(Dec-24: 160.7%)*

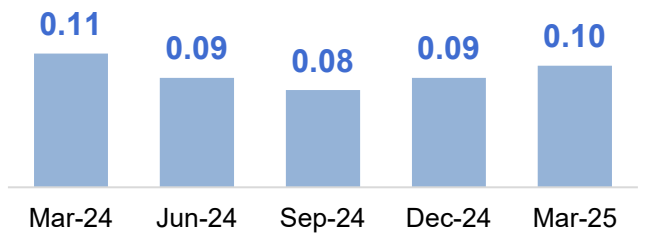
115.2% — **Net Stable Funding Ratio** *(Dec-24: 116.3%)*

Asset quality of banks remains sound

Stage 2 Loans Ratio, %

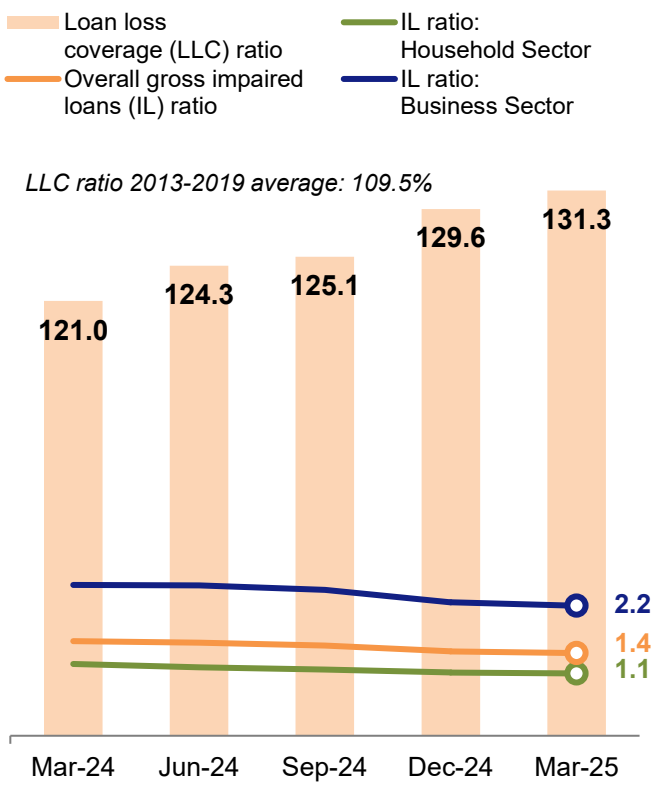


Newly Restructured and Rescheduled Loans, % of Total Banking System Loans



Prudent provisioning despite low impairment levels

Impaired Loans Ratio[1] & Loan Loss Coverage Ratio (including regulatory reserve), %



[1] Impaired loans ratio is based on loans classified as Stage 3 under MFRS 9.
Source: Bank Negara Malaysia

Summary

The Malaysian economy expanded further by 4.4% in the first quarter of 2025, driven by steady expansion in domestic demand and continued export growth

The Malaysian economy is likely to grow at a slightly slower pace than **4.5%–5.5%** in 2025 amid escalating trade tensions and heightened uncertainties

Balance of risk to the growth outlook is **tilted to the downside**

Headline inflation is projected to **remain moderate in 2025**

End of presentation

Question and Answer

Additional Information

Breakdown of 1Q 2025 GDP (% yoy)

Annual Change in GDP Growth by Component

Real GDP (% YoY)	Share, % (2024)	2024		2025
		1Q	4Q	1Q
Services	**59.4**	**4.8**	**5.5**	**5.0**
Manufacturing	**23.1**	**2.1**	**4.2**	**4.1**
Agriculture	**6.3**	**1.9**	**-0.7**	**0.6**
Mining and Quarrying	**6.0**	**4.3**	**-0.7**	**-2.7**
Construction	**4.0**	**11.9**	**20.7**	**14.2**
Real GDP	**100.0**	**4.2**	**4.9**	**4.4**

Note: Numbers may not add up due to rounding and exclusion of import duties component.
Source: Department of Statistics, Malaysia

Real GDP (% YoY)	Share, % (2024)	2024		2025
		1Q	4Q	1Q
Domestic Demand (Excluding Stocks)	**95.2**	**6.1**	**6.4**	**6.0**
Private Sector	**77.2**	**5.7**	**6.6**	**5.9**
Consumption	60.7	4.7	5.3	**5.0**
Investment	16.5	9.2	12.7	**9.2**
Public Sector	**18.0**	**8.4**	**5.8**	**6.2**
Consumption	13.2	7.3	4.0	**4.3**
Investment	4.8	11.5	10.0	**11.6**
Net Exports of Goods and Services	**4.2**	**-8.3**	**63.6**	**19.6**
Exports	68.1	4.2	8.7	**4.1**
Imports	63.9	5.2	5.9	**3.1**
Real GDP	**100.0**	**4.2**	**4.9**	**4.4**

Note: Numbers may not add up due to rounding and exclusion of stocks.
Source: Department of Statistics, Malaysia

Financial account recorded a net outflow

Portfolio investment outflows more than offset inflows from direct and other investment

RM billion	2024		2025
	4Q	Year	1Q
Direct Investment	**13.5**	**17.7**	**12.1**
*Direct Investment Abroad (DIA)**	-5.2	-33.9	-3.5
*Foreign Direct Investment (FDI)**	18.7	51.5	15.6
Portfolio Investment	**-42.0**	**-84.1**	**-48.3**
Residents	-25.7	-107.3	-34.4
Non-residents	-16.3	23.2	-13.9
Financial Derivatives	**2.7**	**2.8**	**-1.7**
Other Investment	**16.5**	**58.7**	**17.6**
Financial Account Balance	**-9.3**	**-4.9**	**-20.3**

Continued FDI inflows amid decreasing DIA outflows

Net outflows in portfolio investment

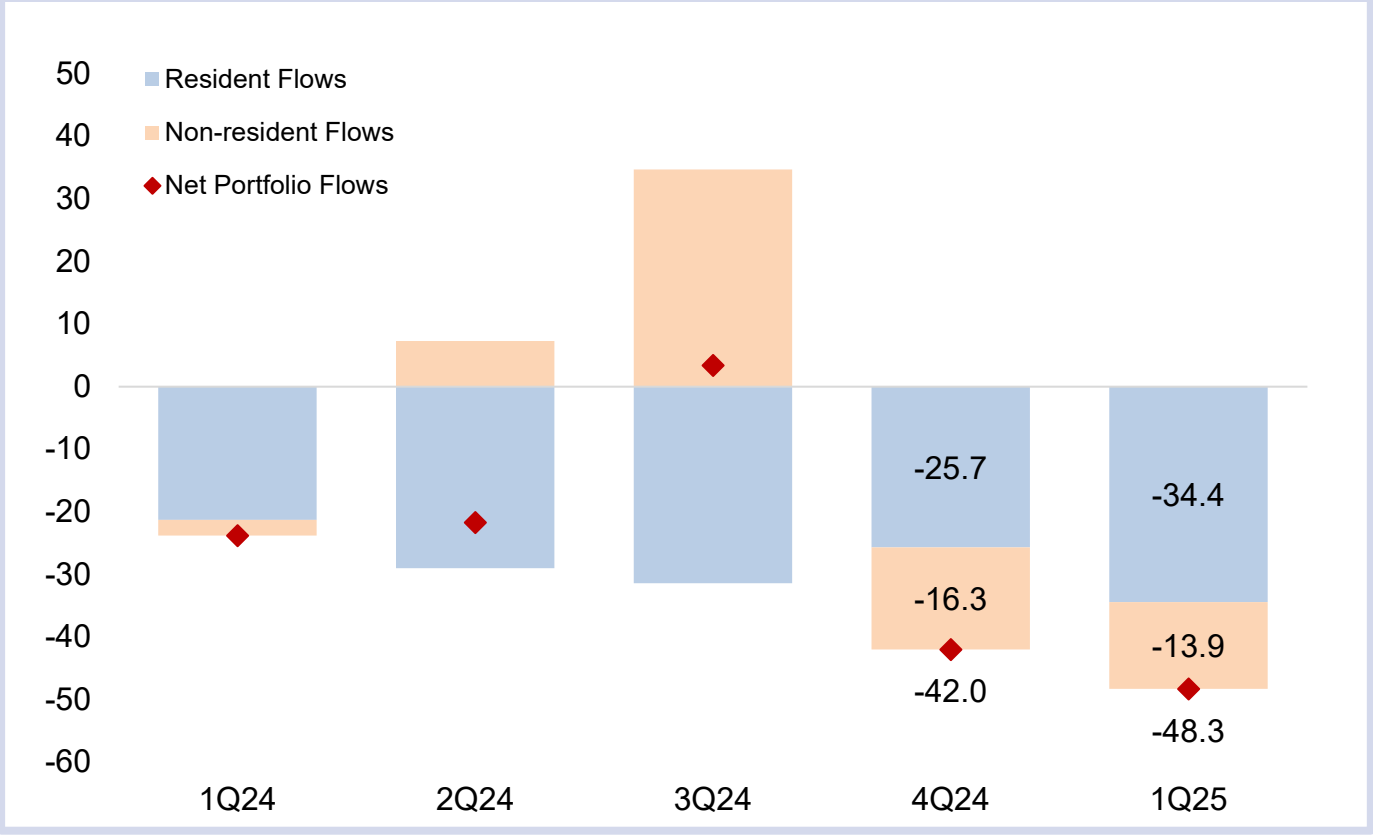
Net inflows in other investment mainly attributable to interbank borrowing

*As per the IMF's BPM5 classifications (i.e. directional basis).
Note: Numbers may not add up due to rounding.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia

Portfolio investment recorded two consecutive quarters of net outflows

Net portfolio outflows in 1Q 2025 were primarily driven by higher residents' investments abroad

Portfolio Investment Flows *(RM billion)*



Factors affecting portfolio investment flows in 1Q 2025

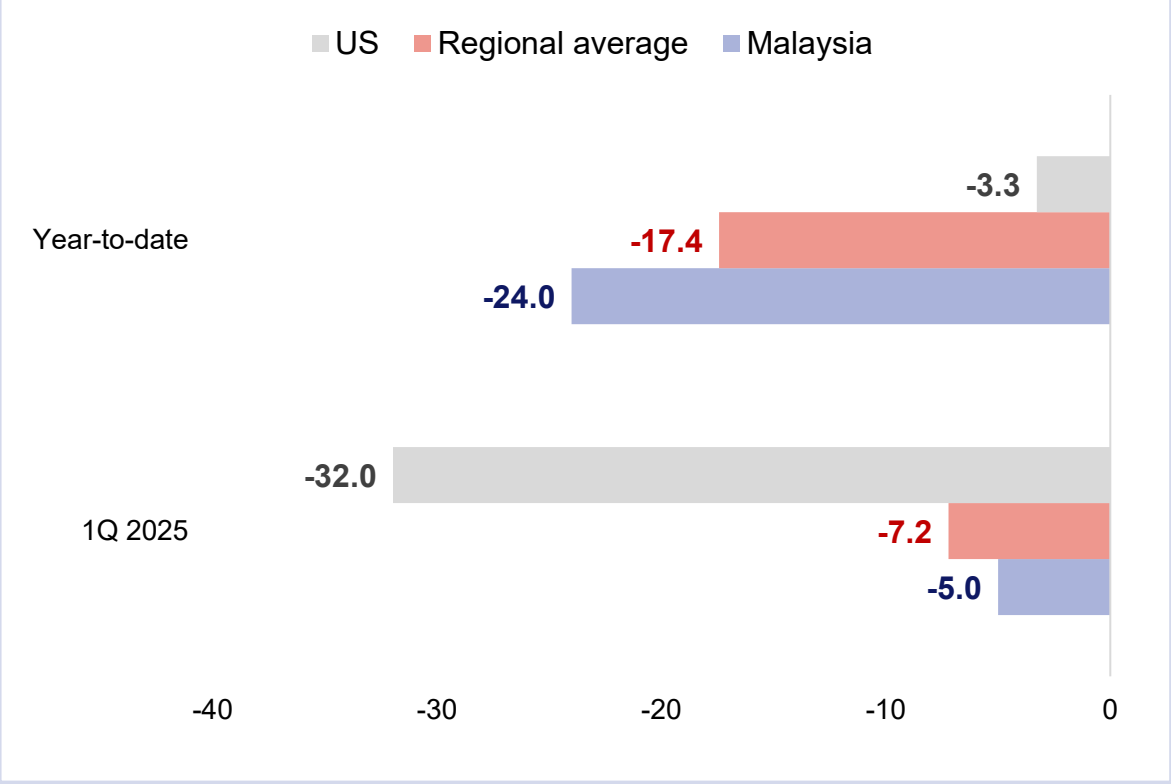
- Higher investments in equity securities and debt securities abroad by resident investors
- Continued liquidation of domestic equity securities by non-resident investors

Source: Department of Statistics, Malaysia

Malaysian bond yields and equities declined in the first quarter, in line with regional peers

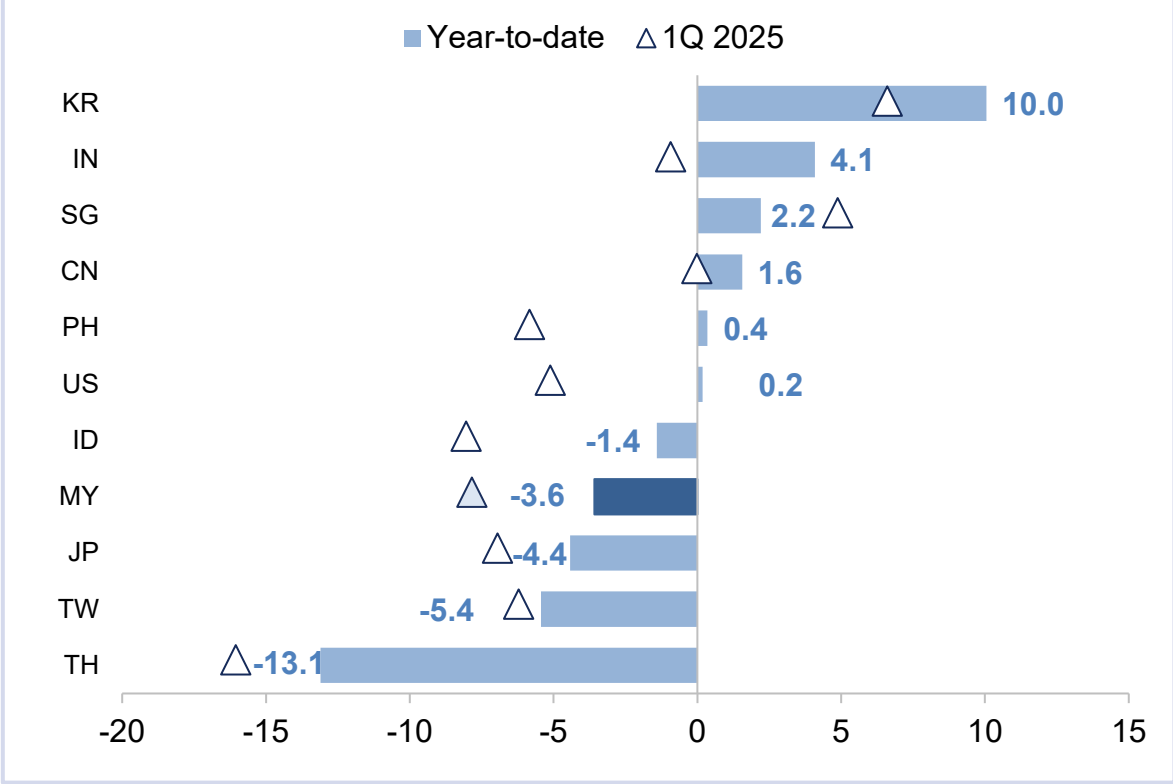
Lower domestic bond yields amid non-resident inflows into the bond market

Movement of 10-Year Local Currency Sovereign Bond Yields (in bps)



FBM KLCI declined amid net foreign outflows driven by investor risk aversion following US trade and policy uncertainties

Performance of Equity Indices (% Change)



Notes: Year-to-date as of 14 May 2025. Numbers in the bar chart for equity indices are the 1Q 2025 figures.
Regional average consist of: PH: the Philippines; TH: Thailand; SG: Singapore; KR: South Korea; ID: Indonesia
Source: Bank Negara Malaysia, Bloomberg, ETP, Bursa Malaysia

SMEs are utilising BNM's Fund with RM1.5 bil amount of financing approved in 1Q 2025

BNM's Fund focused on targeted segments and strategic areas,

~RM4.5 bn remains available[1] under **BNM's Fund for SMEs Facilities**

Supporting segments with barriers to finance
- All Economic Sectors (AES)
- Micro Enterprise Fund (MEF)



Promoting growth in targeted sectors
- Agrofood Facility (AF)
- PENJANA Tourism Financing (PTF)



Accelerating digital transformation & upscaling SMEs
- SME Automation and Digitalisation Facility (ADF)
- High Tech Facility (HTG)



Greening SMEs and building climate resilience
- Low Carbon Transition Facility (LCTF)
- Disaster Relief Facility (DRF)



. . .forming a part of the extensive SME support by the Government and financial sector

Access to Financing & Grants[2]

Banks & DFIs, SME BANK GROUP, AGRO BANK, SJPP, CGC, iM SME, PUNB, iTEKAD, BSN, BANK RAKYAT, BPMB Malaysia Development Bank, EXIM BANK MALAYSIA, TEKUN NASIONAL, Suruhanjaya Sekuriti MyCIF, Suruhanjaya Koperasi Malaysia, midf

Digitalisation & Upscaling

MOSTI, MDEC, National Technology & Innovation Sandbox, SIRIM, MCMC, SHRDC

Debt Advisory & Redress

AKPK, URUS, FIRST, MyKNP, SME Help Desk, SDRS

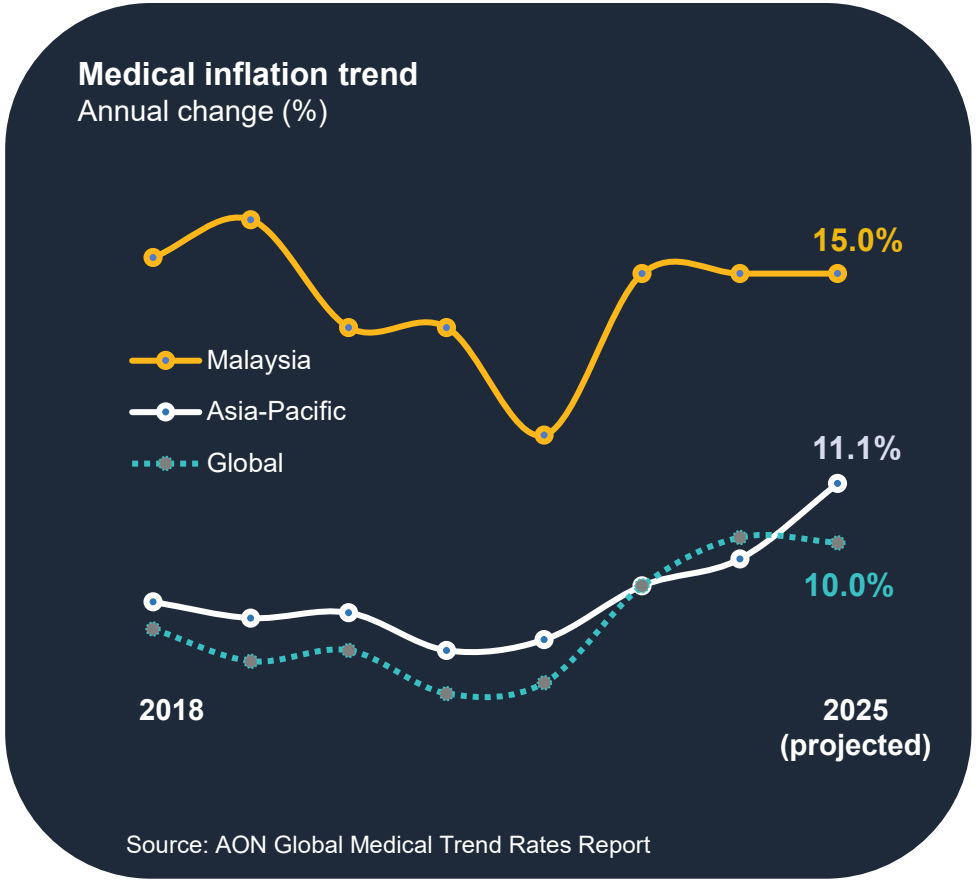
Capacity Building

JC3 Joint Committee on Climate Change, SMECORP MALAYSIA, FEN FINANCIAL EDUCATION NETWORK, CEDAR

1/ As at end-March 2025
2/ Initiatives based on Budget 2025.
Source: Bank Negara Malaysia

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

Rising MHIT premiums is a symptom of medical cost inflation



Source: AON Global Medical Trend Rates Report

Reforms are critical to secure sustainable access to MHIT protection

5 Strategic Thrusts

1. **Greater price transparency:**
   Display retail drug prices and publish price ranges for common healthcare services
2. **Improved provider payment mechanism**:
   Implement Diagnosis-Related Groups (DRGs) to replace existing fee-for-service mechanism
3. **Transforming MHIT offerings:**
   Develop base MHIT product to support value-based healthcare services
4. **Cost effective options:**
   Through MOH's Rakan KKM and expansion of not-for-profit hospitals
5. **Digital health:**
   Enhance interoperability of Electronic Medical Records (EMR)

Driving digital finance and responsible innovation through a supportive financial ecosystem

While crypto assets are not recognised as legal tender and not suitable for payments, a balanced approach for broader DLT[1] use cases ensures orderly market development and effective management of inherent risks

Global trends

- Greater clarity on regulatory approach to digital assets
- Growing maturity of CBDC[2] and tokenisation explorations
- Greater institutional adoption of digital assets and blockchain
- Openness towards use of crypto assets and stablecoins beyond investment

Responsible innovation

Facilitate increased activity in regulated onshore market to better protect investors

Preserve monetary and financial stability, market integrity and investor protection

… supported by:

1. **Project Mawar** to futureproof key payment infrastructure
2. **Asset tokenisation** to derive efficiency gains for the financial sector

[1] Refers to Distributed Ledger Technology
[2] Refers to Central Bank Digital Currency