BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

# BNM Quarterly Bulletin

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3Q Third Quarter 2024

The BNM Quarterly Bulletin presents a quarterly review of Malaysia's economic, monetary and financial developments. It includes BNM's latest assessments on the direction of the economy going forward. The Bulletin also provides insights on current economic and financial issues, including highlights of policy initiatives undertaken by BNM in pursuit of its mandates.

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# Key Highlights for 3Q 2024

## GDP grew by 5.3%

**What are the factors supporting growth?**

**Strong expansion in overall investment activities**
Gross Fixed Capital Formation: 15.3% (2Q 2024: 11.5%)

**Higher goods exports and tourism spending**
Exports of Goods and Services: 11.8% (2Q 2024: 8.4%)

**Expansion in household spending**
Private Consumption: 4.8% (2Q 2024: 6%)

## Stable headline inflation at 1.9%

**What are the key factors affecting inflation?**

**Higher diesel inflation, following subsidy rationalisation**
Diesel inflation: 20.1% (2Q 2024: 5.3%)

**Higher vehicle insurance inflation**
Insurance inflation: 0.8% (2Q 2024: -0.1%)

**Lower food inflation**
Food and beverages inflation: 1.6% (2Q 2024: 1.9%)

## Continued improvement in the labour market

**Unemployment Rate**
3.2%
(2Q 2024: 3.3%)

**Private Sector Nominal Wages**
3.0%
(2Q 2024: 2.7%)

## The ringgit appreciated against the US Dollar

**MYR/USD**
14.9%
(2Q 2024: 0.2%)

**US Dollar Index**
-4.8%
(2Q 2024: 1.3%)

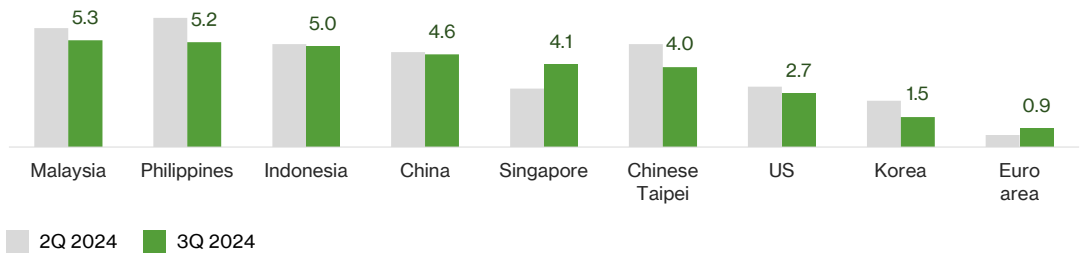
## Box Article: Clocking in on Business Sentiments: The RES' Business Climate Clock

The Business Climate Clock is a useful surveillance tool, offering timely insights in identifying turning points as well as sector-specific challenges and opportunities, allowing BNM to make informed policy decisions.

# Global Economic Performance

## Sustained global growth in 3Q 2024

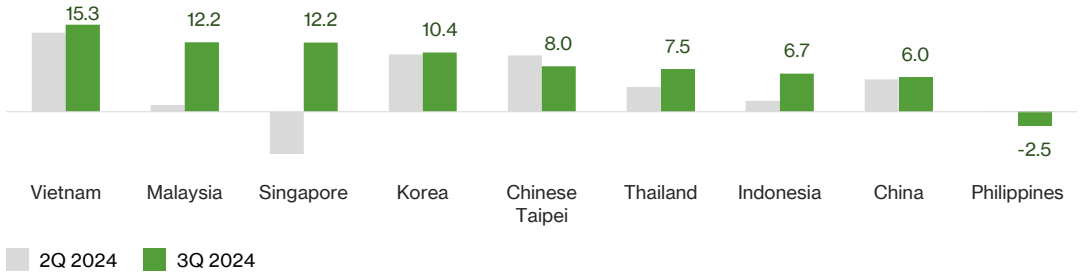
**GDP of selected economies,**
Annual change, %




Source: National authorities

## Continued recovery in trade growth for most regional countries

**Exports of selected economies,**
Annual change, % (in USD terms)




Source: National authorities

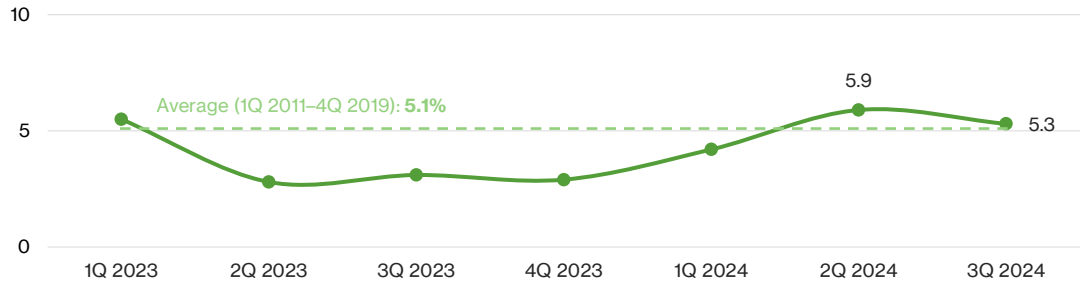
## Highlights

- **Sustained global growth**, as lagged effects of high interest rates were offset by resilient labour market and lower inflation.
- **Global trade continued to recover,** supported by broad-based strength in electrical and electronics (E&E) and non-E&E goods.
- **Inflation continued to moderate** globally, paving the way for monetary policy easing by more central banks.
- **Brent crude oil price trended lower** to USD79 per barrel in 3Q 2024 (2Q 2024: USD85 per barrel) amidst weaker demand from China and the announced phasing out of OPEC+ voluntary production cuts.

# Gross Domestic Product

## GDP grew by 5.3% in 3Q 2024

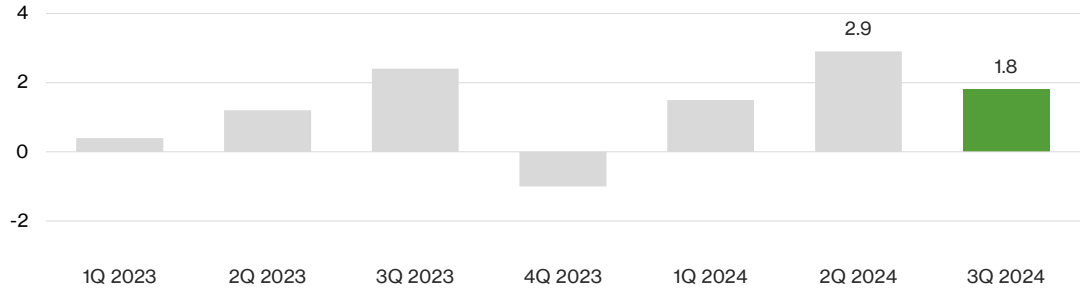
**Gross domestic product,**
Annual change, %




Source: Department of Statistics, Malaysia

## On a QoQ seasonally-adjusted basis, growth moderated at 1.8%

**Gross domestic product,**
Quarterly change, % (seasonally adjusted)




Source: Department of Statistics, Malaysia

## What are the factors supporting growth in 3Q 2024?

- Continued strong expansion in investment activities
- Higher goods exports and tourism spending
- Expansion in household spending amid positive labour market conditions and policy support

## What are the factors weighing on growth in 3Q 2024?

- Lower oil and gas production amid maintenance activity

# Malaysia's Economic Performance

## Sustained domestic demand

Annual change, %

### Private Consumption

**4.8%**
(2Q 2024: 6%)

Expansion supported by positive labour market conditions and policy measures

### Private Investment

**15.5%**
(2Q 2024: 12%)

Robust spending on structures and machinery & equipment

### Public Consumption

**4.9%**
(2Q 2024: 3.6%)

Higher Government spending on emoluments and supplies and services

### Public Investment

**14.4%**
(2Q 2024: 9.1%)

Expansion in fixed assets spending by the Government and public corporations

### Net Exports

**-8.8%**
(2Q 2024: 3.4%)

Higher exports offset by stronger imports of intermediate and capital goods

Source: Department of Statistics, Malaysia

## Growth supported by services and manufacturing sectors

Annual change, %

### Services

**5.2%**
(2Q 2024: 5.9%)

Continued expansion supported by consumer-related subsector

### Manufacturing

**5.6%**
(2Q 2024: 4.7%)

Stronger production in export-oriented clusters (i.e., E&E and petrochemicals)

### Agriculture

**3.9%**
(2Q 2024: 7.3%)

Moderate increase in oil palm production while fisheries output contracted

### Mining

**-3.9%**
(2Q 2024: 2.7%)

Contraction in oil and gas production amid maintenance activity

### Construction

**19.9%**
(2Q 2024: 17.3%)

Robust growth in non-residential, residential and special trade subsectors

Source: Department of Statistics, Malaysia

# Labour Market Conditions

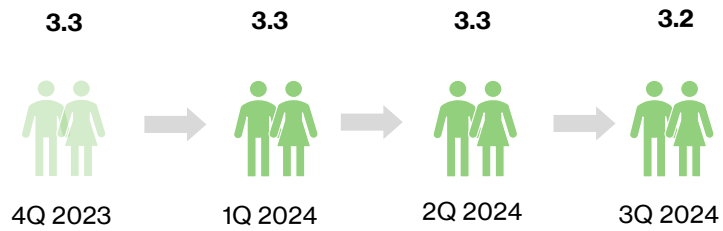
## Labour market continued to improve

- The unemployment rate declined further to 3.2% in 3Q 2024 (2Q 2024: 3.3% of the labour force).
- Employment improved to 16.7 million persons in 3Q 2024 (2Q 2024: 16.6 million persons) amid continued demand for labour.
- Labour supply remained forthcoming as the labour force participation rate remained at a historical high of 70.5% in 3Q 2024 (2Q 2024: 70.5%).

Source: Department of Statistics, Malaysia

## Lower unemployment rate

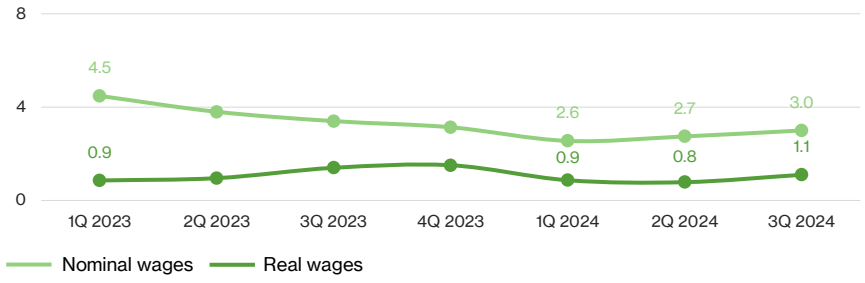
**Unemployment rate,** % of labour force




Source: Department of Statistics, Malaysia

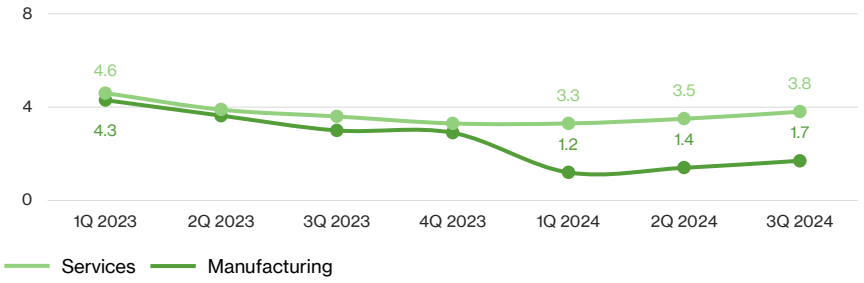
## Continued growth in private sector wages

**Private sector nominal and real wages,**
Annual change, %




Source: Department of Statistics, Malaysia

**Sectoral nominal wages,**
Annual change, %



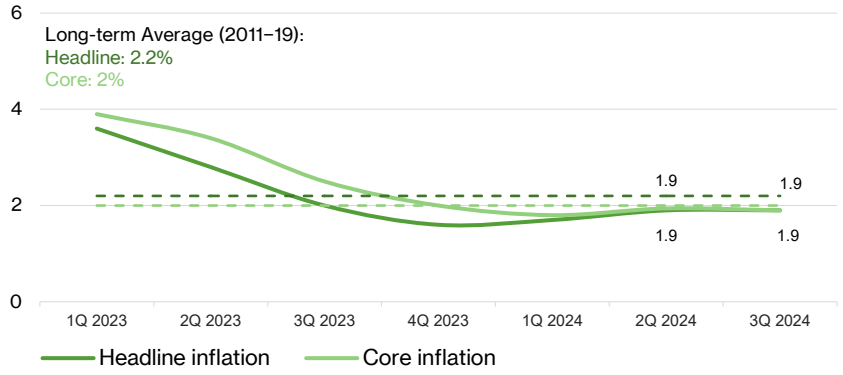

Source: Department of Statistics, Malaysia

# Inflation trend

## Headline and core inflation remained stable during the quarter

- Both headline and core inflation remained unchanged at 1.9%.
- Higher inflation was observed during the quarter for diesel and vehicle insurance, but this was offset by broader moderation in inflation for food and beverages.

**Headline and core inflation,**
Annual change, %




**Selected Consumer Price Index (CPI) Items**

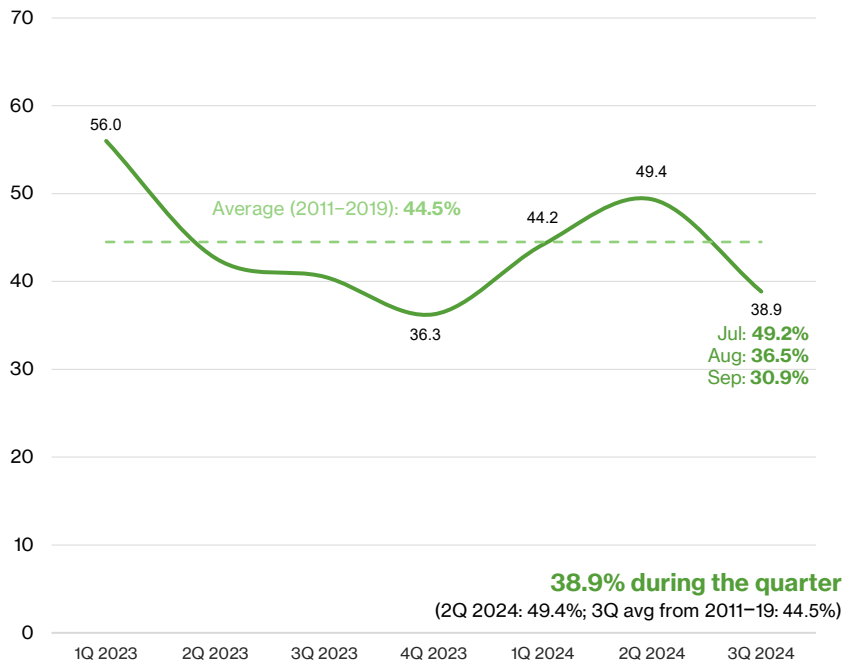
| Diesel *(Weight: 0.2%)* | Vehicle insurance *(Weight: 2.5%)* | Food and beverages *(Weight: 29.8%)* |
|---|---|---|
| ▲ 20.1% 2Q 2024: 5.3% | ▲ 0.8% 2Q 2024: -0.1% | ▼ 1.6% 2Q 2024: 1.9% |

Note: Core inflation is computed by excluding price-volatile and price-administered items from headline inflation.
Source: Department of Statistics, Malaysia and Bank Negara Malaysia Estimates

## Inflation pervasiveness declined over the third quarter

- Fewer CPI items recorded price increases in the third quarter, reverting below its long-term average.
- Notably, this suggests that spillover effects from the recent diesel subsidy rationalisation to broader CPI prices were contained thus far.

**CPI items recording month-on-month price increase,**
Share, %




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

# External Sector Development

## Exports improved amid stronger imports

**Gross Exports** **7.8%** (2Q 2024: 5.8%)
Higher manufactured exports and continued expansion in commodities exports.

**Gross Imports** **20.8%** (2Q 2024: 15%)
Strong capital imports amid investment activities and increased intermediate imports to support production, particularly of manufactured exports.

Source: Department of Statistics, Malaysia

## Continued current account surplus with outflows in the financial account

Current Account
**RM2.2 billion; 0.4% of GDP**
(2Q 2024: RM3 bil; 0.6%)

Key driving factors
- Slight moderation in goods surplus as strong intermediate and capital imports outpaced exports.
- Wider deficits in primary and secondary income.

Partly offset by
- Narrower services deficit, reflecting mainly higher travel receipts amid increased tourism spending.

Financial Account
**Net outflows RM7.5 billion**
(2Q 2024: Net inflows RM17.1 bil)

Key driving factors
- Net outflows in other investment, mainly due to deposits placement abroad by resident investors.
- Net outflows in direct investment due to higher direct investment abroad amid greater FDI inflows.

Which offset
- Net inflows in portfolio investment on account of higher non-residents acquisition of domestic debt and equities securities.

Source: Department of Statistics, Malaysia and Bank Negara Malaysia

## Lower external debt

**RM1.26 trillion or 66.3% of GDP**
(2Q 2024: RM1.33 trillion or 70.7% of GDP)
- Exchange rate valuation effects following the strengthening of ringgit against several major and regional currencies.

**External debt remained manageable**
% of total external debt

Currency
**Ringgit-denominated: 34.4%**
Unaffected by ringgit exchange rate fluctuations.
**FCY-denominated: 65.6%**
of which 61.7% is subject to BNM prudential & regulatory requirements and 17.9% are due to intragroup loans.

Maturity
**Medium- and long-term: 59.1%**
Limited rollover risks.

| | |
|---|---|
| **Net International Investment Position** | **-RM38.6 billion** (2Q 2024: RM81 billion) |
| **International Reserves**[1] | **USD117.6 billion** (2Q 2024: RM113.8 billion) |

- **4.6 months**[2] of imports of goods and services
- **0.9 times** short term external debt

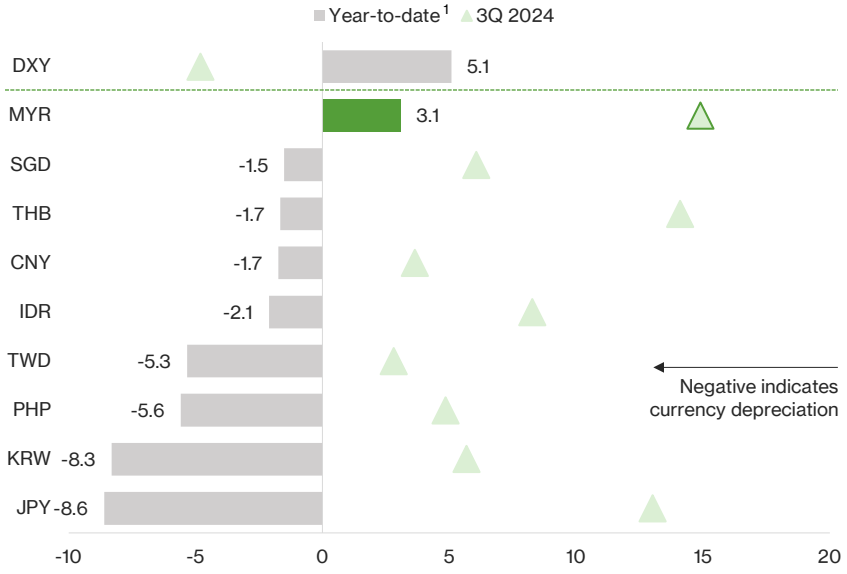
[1] As at 30 October 2024.
[2] Coverage may differ from the press statement on international reserves published on 7 November 2024, as it reflects the latest 3Q 2024 data on imports of goods and services and short-term external debt.
Source: Ministry of Finance, Malaysia, Department of Statistics, Malaysia and Bank Negara Malaysia

# Financial Markets and Exchange Rate

## The ringgit appreciated against the US dollar and against its major trading partners

Ringgit's appreciation was in line with major trade partners following the shift towards a monetary policy easing by the US Federal Reserve

**Performance of the US dollar Index and regional currencies against the US dollar,**
% year-to-date and quarter-on-quarter




**Ringgit appreciated against major trading partners**

**NEER 3Q 2024: +9.9%**
2Q 2024: 1.6%

[1] Year-to-date as of 13 November 2024. Numbers in the bar chart are the year-to-date figures.
Note: NEER refers to the nominal effective exchange rate
Source: Bank Negara Malaysia and Bloomberg

## Domestic financial market developments were driven by global and domestic factors

**Bond yields decreased**
in line with regional peers due to global monetary policy easing

**MGS 10Y Yield -15 bps**
(2Q 2024: +1 bps)

**Equity markets rose**
amid net foreign inflows, driven by expectations of stronger domestic corporate earnings

**KLCI +3.7% QoQ**
(2Q 2024: +3.5%)

### Key factors

**Expectations for further rate cuts by the US Federal Reserve** led to US dollar weakness during the quarter which subsequently drove the appreciation of regional currencies

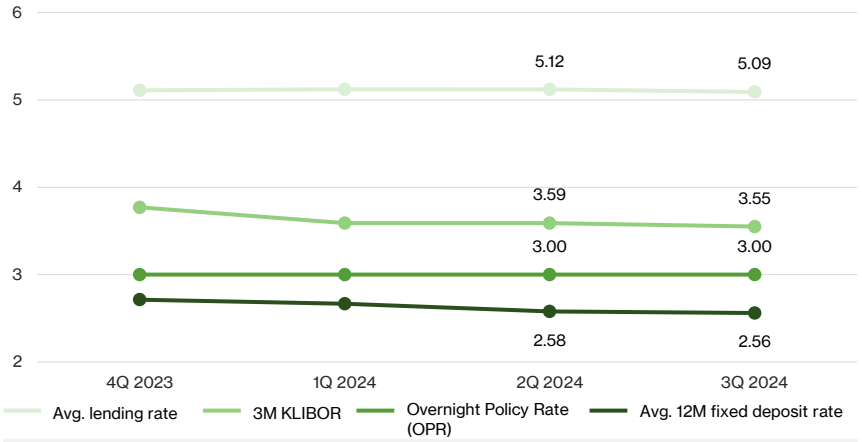
**Strong growth, rising investments, and commitment to reforms** spurring investor confidence in financial markets

Source: Bank Negara Malaysia, ETP, Bursa Malaysia and Bloomberg

# Interest Rates and Liquidity

## Interbank rates and fixed deposit rates declined during the quarter

**Interest rates,**
End-period, %

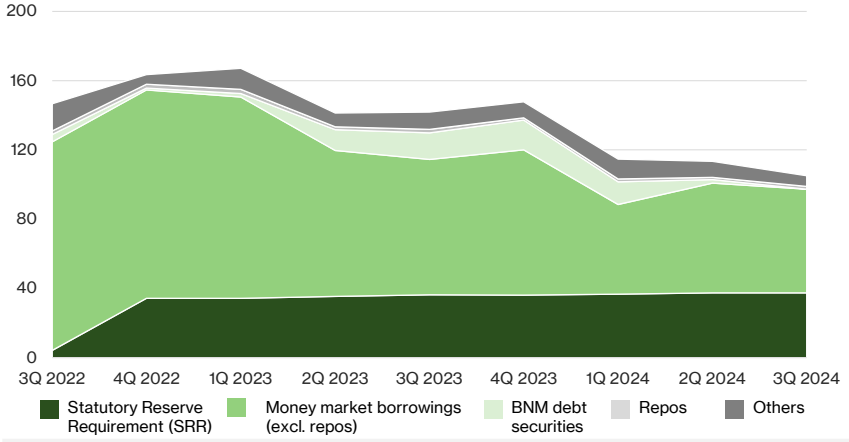



- **The 3M KLIBOR declined slightly** to 3.55%, while interbank rates similarly eased during the quarter.
- **Fixed deposit (FD) rates declined slightly** by 1 to 3 basis points across tenures of 1 to 12 months as banks continued to adjust their funding strategy to manage their cost of funds.
- **Average lending rate (ALR) on outstanding loans decreased marginally** during the quarter, mainly for business loans.

Source: Bank Negara Malaysia and Bloomberg

## Banking system liquidity remains supportive of financial intermediation

**Outstanding ringgit liquidity placed with BNM,**
End-period, RM billion



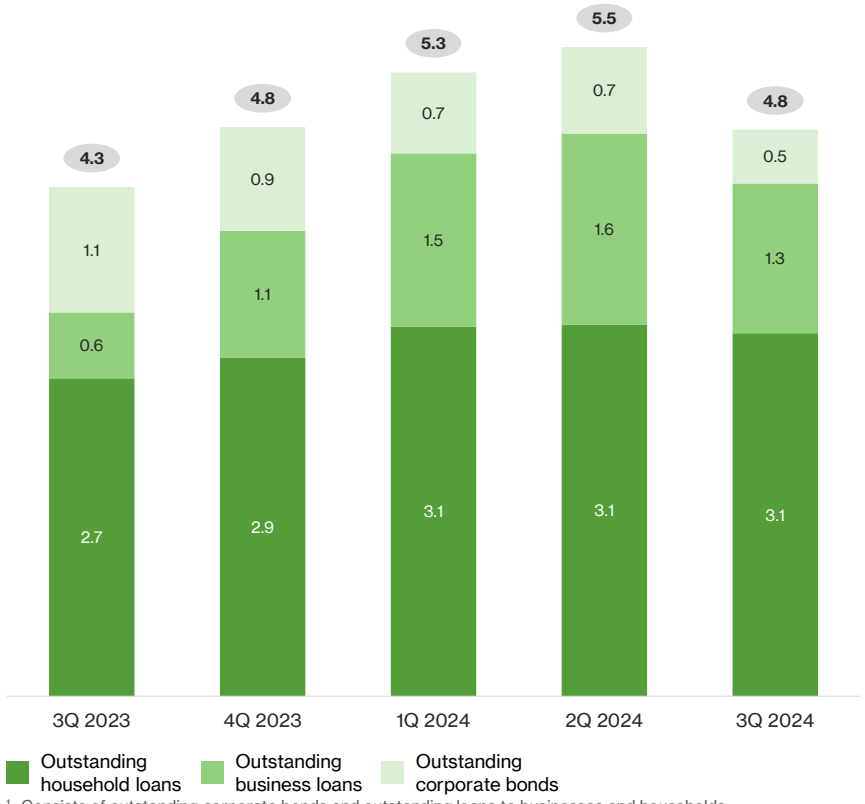

- **Total banking system liquidity at the end of the quarter declined** amid lower liquidity injection by BNM.
- Banking system liquidity remained sufficient to support financial intermediation. At the institutional level, most banks continue to maintain surplus overnight placement with BNM as at end-September 2024.

Source: Bank Negara Malaysia

# Credit Conditions

## Moderation in credit growth for businesses, while household loan growth remained sustained

**Credit to the Private Non-Financial Sector,[1]**
Contribution to growth, ppt




[1] Consists of outstanding corporate bonds and outstanding loans to businesses and households.
Source: Bank Negara Malaysia

## Key developments

**Credit to the Private, Non-Financial Sector[2]**

**4.8%**
2Q 2024: 5.5%

- Slower growth in outstanding loans[3] (5.5%; 2Q 2024: 6%), following moderation in business loan growth.
- Growth in corporate bonds also moderated to 2.1% (2Q 2024: 3.4%), amid stronger growth in redemptions.

**Business Loans**

**4.5%**
2Q 2024: 5.7%

- Business loan growth was more moderate at 4.5% (2Q 2024: 5.7%), amid slower growth in loans to non-SMEs. Notwithstanding, SME loan growth continued to be forthcoming (8.8%; 2Q 2024: 9.5%).
- By sector, loan growth for the services sector was sustained, while growth moderated for the manufacturing and construction sectors.

**Household Loans**

**6.1%**
2Q 2024: 6.2%

- For households, loan growth remained steady, driven by loans for the purchase of housing and cars.
- Growth in household loan applications remained robust with sustained approval rates.

[2] All numbers quoted are in terms of annual change.
[3] Refers to loans from banking system and development financial institutions (DFIs).
Source: Bank Negara Malaysia

Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

## Executive Summary

- The Business Climate Clock is a useful surveillance tool, offering timely insights that allow BNM to gauge changes in business sentiments.
- Such insights are useful for identifying turning points as well as sector-specific challenges and opportunities, allowing BNM to make informed policy decisions.
- The Business Climate Clock showed that in 2024, business sentiments improved across sectors, driven by better global demand, strong construction activities, and a rebound in tourism, among other factors.

## Introduction

In today's fast-paced and complex economic landscape, near-term real-time insights on economic conditions and business sentiments have become indispensable for central banks to gain an understanding of ground-level dynamics. For Bank Negara Malaysia (BNM), the Regional Economic Surveillance (RES) team has been instrumental in gathering feedback directly from industry players, synthesising qualitative data to enhance BNM's economic outlook assessments. This has been proven to be particularly useful during times of heightened uncertainty.

[1] Northern (Penang, Kedah, Perlis, Perak), Southern (Johor and Melaka), Central (Klang Valley and Negeri Sembilan), East Coast (Terengganu, Kelantan and Pahang), Sabah and Sarawak.

## BNM analyses business sentiments and obtains crucial insights in identifying turning points in the economy using the BCC

Present in six regions[1] across the country, the RES team conducts a minimum of 120 engagements with a broad spectrum of industry players, business and trade chambers as well as Government agencies every two months. Each cycle coincides with BNM's Monetary Policy Committee (MPC) meetings throughout the year. The team asks firms on the latest developments of key variables such as revenue, investment, inventory, costs, prices, hiring and financing conditions vis-à-vis the corresponding period a year ago, as well as the expected changes in these variables one quarter ahead.

Aggregating such firm-level insights, the RES team analyses fluctuations in business sentiments with a view to identify potential turning points in the economy. This approach is facilitated through an internal tool called the Business Climate Clock (BCC), which helps to visualise and track these trends over time. This article aims to feature how BNM utilises such tool to better assess economic trends to inform appropriate policy responses. The first part of the article outlines the interpretation of the BCC, followed by a chronological assessment on how business sentiments have evolved in recent years, especially through the pandemic. The last part of the article assesses the usefulness of the BCC in relation to identifying turning points in Malaysia's GDP growth.

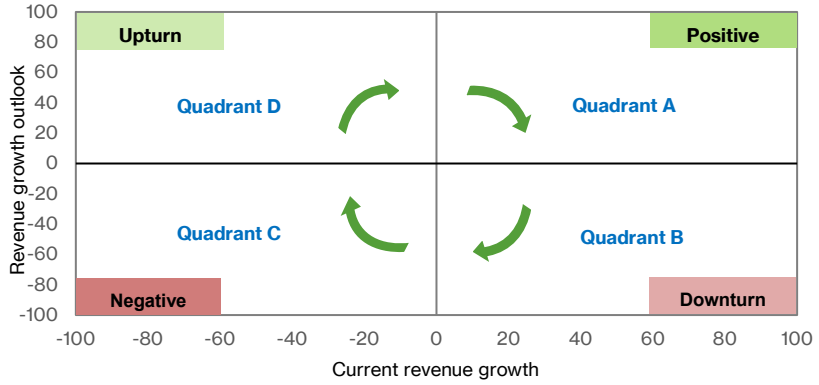
Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

## The BCC visualises the state of economy using a situation-expectation graph

While the usage of business surveys is not uncommon, when it comes to graphic representation of survey results, it is rather typical to chart survey responses to respective questions against time. Drawing inspiration from the Ifo (Institute for Economic Research, University of Munich),[2] the BCC seeks to visualise and analyse the state of economy using a situation-expectation graph. This is done by plotting the net balance[3] of firms' current business situation on the X-axis (i.e. current revenue growth) against their business expectations on the Y-axis (i.e. revenue growth outlook in the next quarter) at any given time.

**Chart 1: Idealised Representation of a Typical BCC**




Note: Firms' revenue growth is chosen as an indicator of business situation and expectation as it can provide valuable insights into overall demand conditions and economic outlook.

There are four quadrants to a BCC diagram, each representing the four distinct stages of climate in a business cycle: positive, downturn, negative, and upturn (Chart 1). If the judgments of firms regarding their current business situation and future expectations are net positive on balance, business climate is in the 'positive' quadrant (A). If the future expectation indicator turns negative, but current business situation is still positive, then a 'downturn' sets in (B). When both current business situation and future expectations are net negative, business climate is in the 'negative' quadrant (C). Lastly, if the net current business situation is negative, but the future expectation indicator turns positive, then the business climate is in the 'upturn' quadrant (D).

Typically, the BCC moves in a clockwise direction across the quadrants. This pattern is attributed to the fact that the business expectation indicator (Y-axis) should lead the business situation indicator (X-axis). In other words, what firms expect in the next three months during this cycle of engagement would eventually come to pass in the next cycle of engagement. Nevertheless, such relationship may not hold true in the event of shocks, where there may be deviations from the typical clockwise rotation.

[2] See Abberger, K. and Nierhaus, W. (2008) for more information on Ifo's Business Cycle Clock. Other countries and organisations have also introduced various versions of such graphical representations, including Business Cycle Tracer by Netherland Statistics and Statistics Denmark, respectively. However, the Ifo's Business Cycle Clock was found to be most relevant for this exercise given its selected indicators are available from RES' engagements (i.e., business situation and business expectations indicators). Please see Appendix for more information.

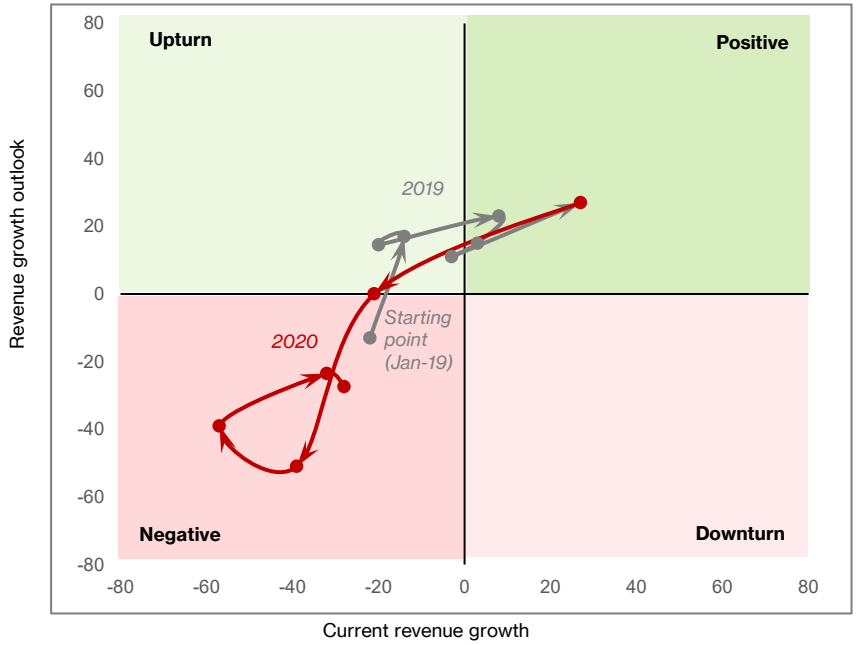
[3] Net balance refers to the difference between the percentage of firms citing higher revenue and the percentage of firms citing lower revenue.

Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

## The RES' BCC tracked how business sentiments deteriorated as the world was enveloped by the pandemic

**Chart 2: Business Climate Clock (2019-20)**
Net balance




Note: The 6 markers for each year represent the 6 MPC cycles throughout the year (January, March, May, July, September and November).
Source: RES engagements

Interview insights from firms are used to identify key factors and recurring themes that influence business sentiments. These qualitative insights provide detailed explanations of the changes observed in the BCC.

## The COVID-19 years: A shock to the system

At the beginning of 2019, business sentiments among firms in Malaysia were negative considering prevailing uncertainties stemming from tensions in US-China trade relations and to a certain extent, concerns on policy continuity due to a change in the Malaysian Government in 2018 (Chart 2). However, as the year progressed, a gradual recovery in business sentiments emerged. This recovery was supported by renewed consumer demand. Additionally, strong external demand in trade supported the E&E and primary-related sectors.

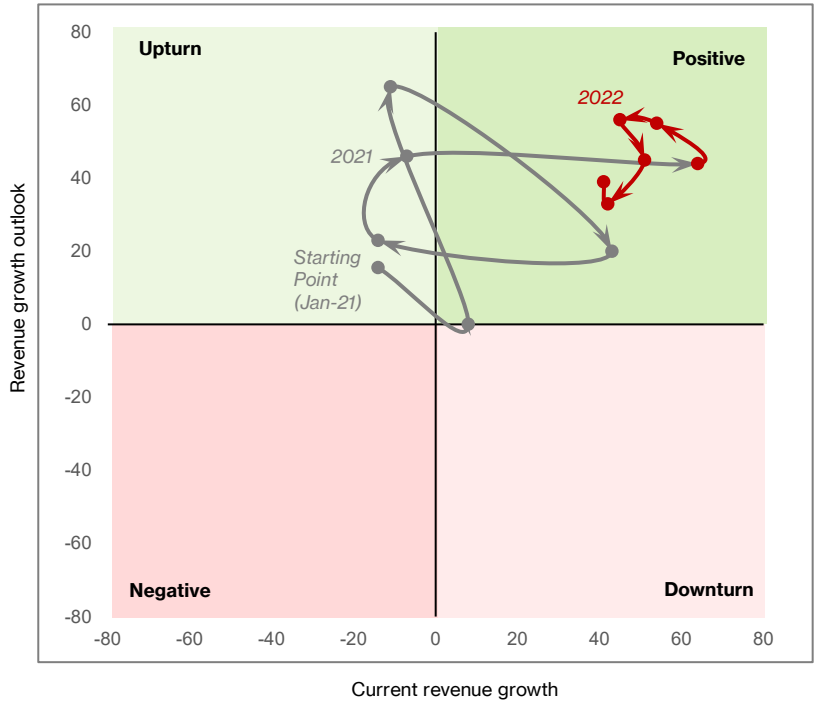
This progress, however, was suddenly disrupted by the onset of the COVID-19 pandemic in early 2020. Before other timely indicators were able to capture the impact of the outbreak, firms' sentiments had abruptly turned negative during engagements in January and February 2020 (i.e. March 2020 MPC cycle). Wholesalers, retailers, and hospitality sectors saw declining revenue amid reduced tourist arrivals. Export-oriented firms, which were initially optimistic, grew pessimistic amid delivery delays following lockdowns in certain parts of China. In March 2020, sentiments worsened after the imposition of Movement Control Order (MCO) in Malaysia, which severely disrupted operations and led to a sharp decline in consumer demand. During this period, most firms were focusing on survival and resilience as they were forced to adapt to the new normal. By year-end, most firms were bracing for prolonged disruptions.

Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

## Inconsistent shifts in business sentiments in 2021, followed by stable optimism in 2022

**Chart 3: Business Climate Clock (2021-22)**
Net balance




Source: RES engagements

[4] There were varying degrees and timelines of movement restrictions across different states throughout 2021. For example, several states reinstated MCO in January 2021, though some transitioned to a less strict Conditional MCO (CMCO) by March 2021. However, a full MCO (FMCO) was imposed mid-year, followed by the launch of a four-phase national recovery plan starting June 2021 to help the country emerge from the pandemic.

## A bumpy recovery post-COVID-19

In 2021, business sentiments moved between the 'upturn', 'downturn' and 'positive' quadrants erratically (Chart 3). This reflected an uneven and unpredictable economic recovery post-pandemic. Firms had to deal with residual pandemic challenges, including supply chain issues and operational restrictions. Domestically, retailers and food operators initially benefited from a pent-up demand, evidenced by growth in off-premise and online sales, yet faced unpredictability due to intermittent MCOs[4] as COVID-19 cases spiked again. Meanwhile, export-oriented firms were optimistic amid strong external demand in segments like consumer electronics. Nonetheless, this was not enough to offset negative sentiments among domestic players, resulting in a negative net balance for current revenue growth for most of 2021.

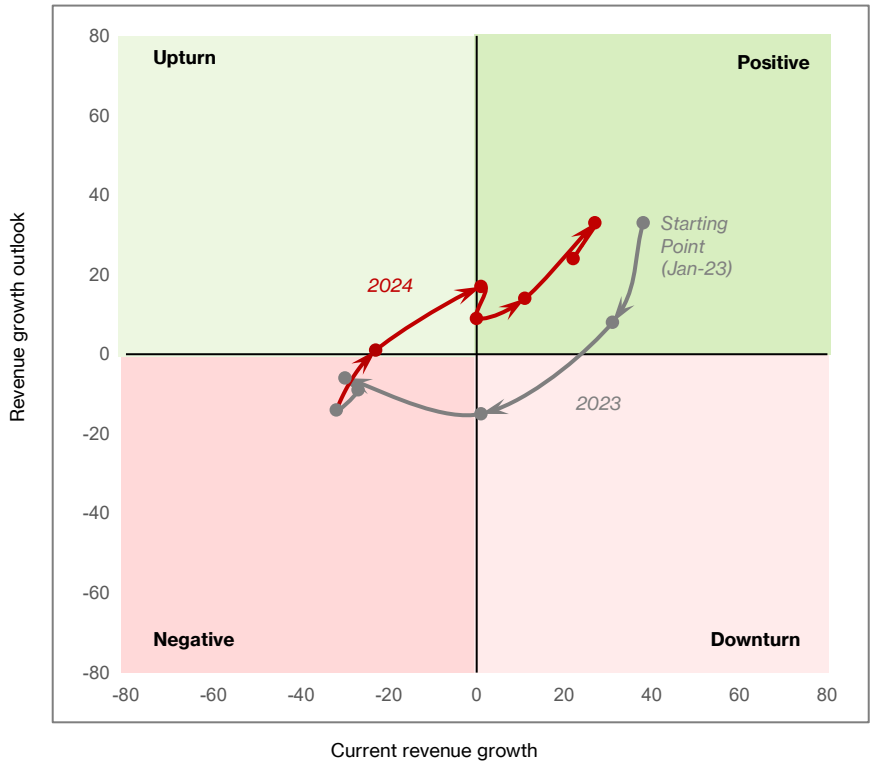
By 2022, with the pandemic in full retreat, positive sentiments across sectors strengthened due to easing restrictions, improved supply chains, border reopenings and stronger global demand. High-touch and consumer-oriented sectors noted a clear recovery through increased foot traffic. Consumer spending was also bolstered by digital offerings, expanded cashless transactions and policy stimulus such as the special EPF withdrawals and the vehicle sales tax exemption. Collectively, these factors underscored a gradual return in demand, with digital adaptation, supply chain diversification, and improved operational resilience as critical drivers for sustained optimism. All these positive sentiments were reflected in firms' improved current business situation and near-term outlook.

Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

## Firms became more cautious in 2023 before sentiments rebounded in 2024

**Chart 4: Business Climate Clock (2023-24)**
Net balance




Source: RES engagements

## From challenges to resilience

While the post-pandemic boom continued to contribute towards positive sentiments in early 2023, insights from firms suggested that the optimism in 1Q 2023 would not last. The BCC started to signal a decline in growth momentum for the next quarter and moved to the 'downturn' quadrant in May 2023 (Chart 4). This shift was largely due to the impact of high cost of living on consumer purchasing power. A subdued 2Q 2023 GDP growth performance later confirmed this trend. In 2H 2023, the BCC further deteriorated into the 'negative' quadrant, as a slowdown in global growth and trade also affected export-oriented firms, including the E&E sub-sector, which experienced a delayed and uneven recovery. Additionally, the weakening ringgit also created cost-related uncertainties, particularly for firms that relied heavily on imports.

Entering 2024, sentiments moved to the 'upturn' quadrant, before becoming more positive in 2H 2024. Business confidence was lifted by better global demand, stronger construction activities, and a more broad-based recovery in the E&E industry. Government policies such as the EPF Flexible Account withdrawals and the civil servant salary revision also bolstered optimism among firms to a certain extent. Additionally, labour market had recovered to pre-pandemic levels, supporting operations in more affected sectors, especially construction and palm oil. The ongoing tourism recovery also boosted firms' confidence as growth was supported by higher tourist receipts. Such positive sentiments were reflected in improved economic growth outcomes in 2024 thus far.

Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

## From Business Climate Clock to an Index

Beyond the insightful graphical narratives presented by the BCC , it is essential to assess whether the BCC accurately and reliably reflects the underlying economic realities. To achieve this, the Business Climate Index (BCI) was calculated using a geometric mean[5] of the net balances of the 'current revenue growth' and 'revenue growth outlook' indicators:

$$BCI = \sqrt{[(\text{Net Balance of Current Revenue Growth} + 100) * (\text{Net Balance of Revenue Growth Outlook} + 100)]} - 100$$

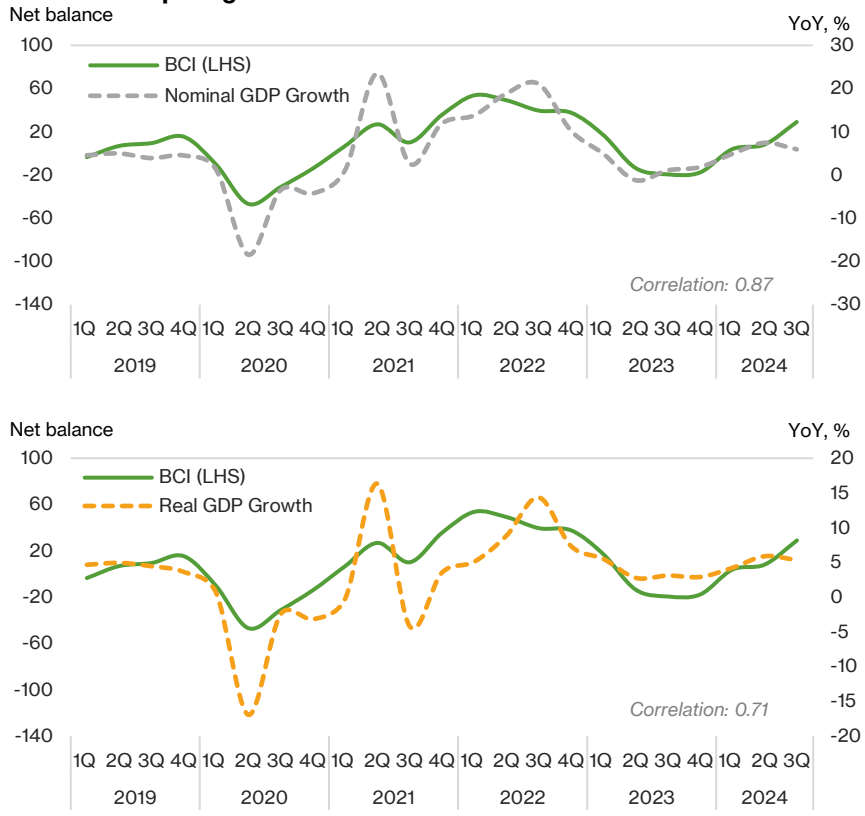
The results revealed a strong correlation between the BCI and GDP growth, with a stronger correlation for nominal GDP growth than real GDP growth (Chart 5), possibly due to price effects. During periods of elevated costs and price pressures (e.g. mid-2021 to mid-2022), firms reported higher revenue growth because price increases enhanced sales value despite stable sales volume.

During the pandemic period between 1Q 2020 and 1Q 2022, the BCI was mostly able to capture the downturns and upturns of the economy. However, given its qualitative nature, it was not able to fully capture the magnitude of the troughs and peaks. Compared to GDP growth, the BCI also did not peak in 3Q 2022 or decline in 3Q 2024, likely reflecting the limits of BCI in capturing the magnitude of impact from one-off policy shocks or unexpected events such as the special EPF withdrawal facility and commodity disruptions respectively.

[5] This methodology was also employed by the Ifo for their Business Cycle Clock. Geometric mean leads to a certain smoothing of the extreme values. This may be relevant if the number of observations in the survey is rather small. As the net balances range from -100 to 100, they are initially augmented by 100 in order to obtain real values in the root expression. By subsequently subtracting 100 at the end, these terms nullify each other once more.

## Insights from firms correlate well with actual economic output

**Chart 5: Comparing BCI with Nominal and Real GDP Growth**




Note: The BCC information is obtained every two months, leading to six observations a year. For months without observations, the figure is proxied by taking an average of the previous and following months. Then, this monthly data is aggregated to get the quarterly BCI.
Source: RES engagements and Department of Statistics, Malaysia

Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

## Navigating Uncertainty: The Value of the BCC and BCI

Both the BCC and BCI offer timely and a more nuanced understanding of economic trends and projections, which help to better inform BNM's policy decisions. While the BCI is a coincident indicator, it is still able to provide leading properties due to its availability two months in advance of actual GDP releases. Of significance is its utility in identifying turning points, especially during periods of uncertainty.

For example, the sudden and widespread disruption caused by the pandemic had posed an unprecedented challenge for economic forecasting. Supply chains were disrupted, consumer behaviour changed significantly, while most industries were either temporarily shut down or had to quickly adapt to new standard operating procedures (SOPs). At such critical juncture, insights from the RES team helped to bridge data gaps by providing timely, forward-looking and qualitative information.

In addition to supporting economic assessments for monetary policy, firm-level insights also contribute to BNM's policy formulation and advocacy. Relevant ground-level insights on potential risks and opportunities to the economy are also often communicated through various platforms.[6]

## Summary

BNM actively engages with the business community to gather critical insights into the economic landscape, enhancing its understanding of current business conditions and outlook. These engagements inform policy decisions and strategic initiatives. A key development in this effort is the Business Climate Clock and Business Climate Index, which offer timely insights that allow BNM to gauge changes in firms' sentiments. By leveraging on these tools, BNM can detect turning points in the economy, as well as identify industry-specific challenges and opportunities. Moving forward, BNM is committed to continuously enhance the quality of responses to ensure a sample that is representative of the economy. BNM will also continue to foster stronger collaboration and trust with the business community and ensure that informed decision-making guides our approach to navigating changes in the Malaysian economic environment.

[6] For more information, please refer to the Feature Article titled 'Taking the Pulse of the Economy During the Pandemic' in Bank Negara Malaysia's Annual Report 2021.

Box Article

# Clocking in on Business Sentiments: The RES' Business Climate Clock

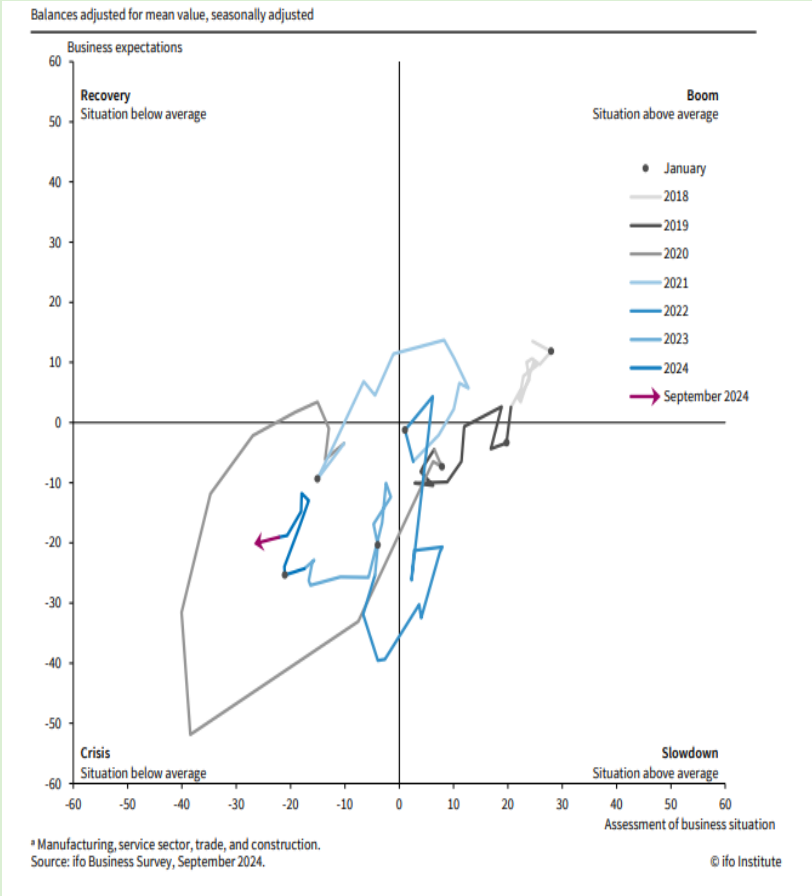
## Appendix: Understanding the Ifo's Business Cycle Clock – Origins and Evolution

In 1993, the cyclical relationship between two components of the Ifo Business Survey in Germany – business situation and expectations – was presented for the first time in the form of a four-quadrant business cycle scheme. The quadrants are labelled with four different phases of activity, namely 'recovery', 'boom', 'slowdown', and 'crisis'.

The results on business situation and expectations are obtained from ~9,000 monthly responses from businesses in the manufacturing, services, trade and construction sectors. Firms are asked to describe their current business situation as 'good', 'satisfactory' or 'poor', and their business expectations for the next six months as 'more favourable', 'unchanged', or 'less favourable'. The net balance value of the current business situation is the difference in percentage shares of the responses 'good' and 'poor', while the net balance value of business expectations is the difference in percentage shares of the responses 'more favourable' and 'less favourable'.

The aim of the Business Cycle Clock is to visualise the development of economic activity and its dynamics in a timely manner. Chart 6 shows the evolution of Germany's economic activity from 2018 to 2024, portrayed using the Ifo Business Cycle Clock.[7]

**Chart 6: The Ifo Business Cycle Clock in Germany**




[7] For more information, please refer to the Ifo institute website at www.ifo.de.

# Clocking in on Business Sentiments: The RES' Business Climate Clock

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# Policy Considerations

## Highlights of the November MPC meeting

- The Monetary Policy Committee (MPC) maintained the OPR at 3% at the November 2024 MPC meeting.
- The MPC remains vigilant to ongoing developments to inform the assessment on the outlook of domestic inflation and growth.

### Monetary policy remains supportive of the economy

The MPC maintained the OPR at 3% in its September and November 2024 MPC meetings.

At the latest November MPC meeting, the MPC assessed that the global economy continues to expand amid resilient labour markets and continued recovery in global trade. Looking ahead, global growth is expected to be sustained by positive labour market conditions, moderating inflation and less restrictive monetary policy. Global trade recovery is expected to continue, supported by both electrical and electronics (E&E) as well as non-E&E products. The growth outlook remains subject to downside risks, mainly from further escalation of geopolitical tensions, heightened volatility in global financial markets and slower growth momentum in major economies.

For the Malaysian economy, the latest indicators as at the November MPC meeting pointed towards sustained strength in economic activity driven by resilient domestic expenditure and higher export activity. The MPC assessed that going forward, exports are expected to be supported by the global tech upcycle, continued strength in non-E&E goods and higher tourist spending. Employment and wage growth, as well as policy measures, remain supportive of household spending. The robust expansion in investment activity would be sustained by the progress of multi-year projects in both the private and public sectors, the higher realisation of approved investments, as well as the implementation of catalytic initiatives under the national master plans. These investments, supported by higher capital imports, will raise exports and expand the productive capacity of the economy. Budget 2025 measures will provide additional support to growth. The growth outlook is subject to downside risks from lower-than-expected external demand and commodity production. Meanwhile, upside risks to growth mainly emanate from greater spillover from the tech upcycle, more robust tourism activity, and faster implementation of investment projects.

Headline and core inflation remain modest, averaging 1.8% year-to-date. Going into 2025, inflation is expected to remain manageable, amid the easing global cost conditions and the absence of excessive domestic demand pressures. Nevertheless, the inflation outlook remains subject

# Policy Considerations

to the details of the implementation of announced domestic policy measures. Upside risk to inflation would be dependent on the extent of spillover effects of domestic policy measures, as well as global commodity prices and financial market developments.

Ringgit performance continues to be primarily driven by external factors. The outcome of the US elections could heighten volatility in the near term. Looking ahead, the narrowing interest rate differentials between Malaysia and the advanced economies is positive for the ringgit. Malaysia's favourable economic prospects and domestic structural reforms, complemented by ongoing initiatives to encourage flows, will continue to provide enduring support to the ringgit.

At the current OPR level, the MPC deemed that the monetary policy stance remains supportive of the economy and is consistent with the current assessment of inflation and growth prospects. The MPC remains vigilant to ongoing developments to inform the assessment on the domestic inflation and growth trajectories going into 2025. The MPC will ensure that the monetary policy stance remains conducive to sustainable economic growth amid price stability.

# Macroeconomic Outlook

## Global growth to be sustained at a moderate pace amid monetary policy easing

**Global trade recovery is expected to continue in 2025**

The global economy is expected to remain stable in 2025, supported by monetary policy easing, positive labour market conditions and moderating inflation. China's growth is expected to expand albeit at a slower pace, as larger fiscal support will be offset by weak property market and consumer sentiments. Global trade growth is expected to recover further, supported by the strength in E&E and non-E&E goods.

The growth outlook remains subject to downside risks, mainly from escalations of geopolitical tensions, trade policies in major economies, heightened volatility in global financial markets, and slower growth momentum in major economies. However, upside risks to growth can arise from stronger-than-expected demand, especially in advanced economies, as well as larger policy support in China.

## Malaysian economy to expand further

**Sustained expansion in domestic demand and improvement in external demand to support growth**

Going forward, growth of the Malaysian economy is expected to be driven by robust expansion in investment activity, strong exports and resilient household spending. Investment activities will be driven by continued progress of multi-year projects in both the private and public sectors, higher realisation of approved investments and the implementation of catalytic initiatives under the national master plans. Higher spillover from global tech upcycle and continued strength in demand for non-E&E goods will lift exports, while tourist spending is expected to improve further. Employment and wage growth, as well as policy measures would remain supportive of household spending.

The growth outlook faces downside risks from slower-than-expected external demand, further escalations in geopolitical tensions and protectionist measures as well as weaker-than-expected commodity production. Nevertheless, greater spillovers from the tech upcycle, faster implementation of investment projects and more robust tourism activities, provide upsides to Malaysia's economic outlook.

# Macroeconomic Outlook

## Inflation in 2025 is expected to remain manageable

**Nevertheless, the inflation outlook remains subject to the implementation of announced domestic policy measures.**

Year to date, both headline and core inflation averaged 1.8%. Spillovers from the diesel price adjustment to broader prices have been contained, given effective mitigation and enforcement measures, minimising the impact on business costs and limiting pass-through to retail prices. The inflation outlook remains subject to the implementation of further domestic policy measures, global commodity prices, and financial market developments.

Heading into 2025, inflation is expected to remain manageable amid continued easing in the external cost environment.[1] The outlook will partly depend on the timing of new policy measures and the dissipating impact of those introduced in 2024 (e.g. subsidy rationalisation, increment in SST rates). Upcoming demand-stimulating measures[2] could provide additional support to demand, though the impact on inflation is expected to remain manageable.

[1] Based on the Economic Outlook 2025, Ministry of Finance Malaysia. Headline inflation is projected to average between 2.0% - 3.5% for 2025, accounting for upside risks from domestic policy measures.

[2] These include, among others, the salary increment for civil servants, implementation of the progressive wage model and review of the minimum wage.

## Table 1: **GDP by Expenditure Components (at constant 2015 prices)**

| | Share in 2023 (%) | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|---|
| | | 3Q | 4Q | Year | 1Q | 2Q | 3Q |
| | | Annual change, % | | | | | |
| Aggregate Domestic Demand (excluding stocks) | 93.9 | 4.5 | 4.9 | 4.6 | 6.1 | 6.9 | 7.0 |
| Private sector | 76.2 | 4.2 | 4.1 | 4.6 | 5.7 | 7.3 | 7.0 |
| Consumption | 60.7 | 4.1 | 4.2 | 4.7 | 4.7 | 6.0 | 4.8 |
| Investment | 15.5 | 4.5 | 4.0 | 4.6 | 9.2 | 12.0 | 15.5 |
| Public sector | 17.8 | 5.9 | 7.4 | 4.6 | 8.4 | 4.9 | 7.1 |
| Consumption | 13.2 | 5.3 | 5.8 | 3.3 | 7.3 | 3.6 | 4.9 |
| Investment | 4.6 | 7.5 | 11.3 | 8.6 | 11.5 | 9.1 | 14.4 |
| Net Exports | 4.4 | -19.9 | -52.9 | -16.2 | -24.5 | 3.4 | -8.8 |
| Exports of Goods and Services | 66.1 | -12.0 | -7.9 | -8.1 | 5.2 | 8.4 | 11.8 |
| Imports of Goods and Services | 61.7 | -11.3 | -2.6 | -7.4 | 8.0 | 8.7 | 13.5 |
| **Real GDP**, annual change % | **100.0** | **3.1** | **2.9** | **3.6** | **4.2** | **5.9** | **5.3** |
| **GDP**, seasonally adjusted, QoQ change % | **-** | 2.4 | -1.0 | - | 1.5 | 2.9 | **1.8** |

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

## Table 2: **GDP by Economic Activity (at constant 2015 prices)**

| | Share in 2023 (%) | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|---|
| | | 3Q | 4Q | Year | 1Q | 2Q | 3Q |
| | | Annual change, % | | | | | |
| Services | 59.2 | 4.9 | 4.1 | 5.1 | 4.8 | 5.9 | 5.2 |
| Manufacturing | 23.4 | -0.1 | -0.3 | 0.7 | 1.9 | 4.7 | 5.6 |
| Agriculture | 6.4 | 0.3 | 1.9 | 0.7 | 1.7 | 7.3 | 3.9 |
| Mining | 6.2 | -1.1 | 3.5 | 0.5 | 5.7 | 2.7 | -3.9 |
| Construction | 3.6 | 7.2 | 3.6 | 6.1 | 11.9 | 17.3 | 19.9 |
| **Real GDP**, annual change % | **100.0** | **3.1** | **2.9** | **3.6** | **4.2** | **5.9** | **5.3** |

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

## Table 3: **Balance of Payments**[1]

| | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | 3Q | 4Q | Year | 1Q | 2Q | 3Q |
| | RM billion | | | | | |
| **Current account** | **8.2** | **0.9** | **28.2** | **16.2** | **3.0** | **2.2** |
| *% of GDP* | *1.8* | *0.2* | *1.5* | *3.5* | *0.6* | *0.4* |
| *Goods* | 33.6 | 30.8 | 136.2 | 32.0 | 24.6 | 23.1 |
| Services | -10.5 | -7.4 | -43.2 | -7.3 | -4.9 | -1.6 |
| Primary income | -12.9 | -20.3 | -52.9 | -8.8 | -15.5 | -17.0 |
| Secondary income | -2.0 | -2.2 | -11.8 | 0.3 | -1.1 | -2.4 |
| **Financial account** | **17.8** | **-20.1** | **-15.5** | **-18.7** | **17.1** | **-7.5** |
| Direct investment | -3.1 | 5.2 | -0.2 | -6.0 | 3.8 | -4.3 |
| Asset | -12.8 | -5.5 | -36.3 | -26.0 | -6.0 | -15.5 |
| Liabilities | 9.7 | 10.7 | 36.1 | 20.0 | 9.7 | 11.1 |
| Portfolio investment | -13.4 | -6.0 | -36.4 | -23.7 | -21.7 | 3.6 |
| Asset | -15.4 | -10.0 | -46.6 | -21.2 | -28.8 | -32.0 |
| Liabilities | 2.0 | 4.0 | 10.3 | -2.5 | 7.2 | 35.6 |
| Financial derivatives | 0.5 | -3.8 | -3.9 | 1.2 | -0.6 | -0.4 |
| Other investment | 33.9 | -15.5 | 25.0 | 9.8 | 35.6 | -6.3 |
| **Net errors & omissions**[2] | **-18.3** | **9.3** | **-33.0** | **11.3** | **-21.5** | **7.6** |
| **Overall balance** | **7.7** | **-10.1** | **-20.5** | **8.7** | **-1.3** | **2.3** |

Assets: (-) denotes outflows due to the acquisition of assets abroad by residents.
Liabilities: (+) denotes inflows due to the incurrence of foreign liabilities.
[1] In accordance with the Sixth Edition of the Balance of Payments and International Investment Position Manual (BPM6) by the International Monetary Fund (IMF).
[2] As at 1Q 2018, quarterly net E&O excludes reserves revaluation changes. This practice is backdated up to 1Q 2010.
Note: Figures may not add up due to rounding.

Source: Department of Statistics, Malaysia

## Table 4: **Outstanding External Debt**

| | 2023 | 2024 | |
|---|---|---|---|
| | end-Sep | end-Jun | end-Sep |
| | RM billion | | |
| **Total External Debt** | **1,255.8** | **1,328.2** | **1,262.3** |
| *USD billion equivalent* | *267.5* | *281.4* | *307.4* |
| **By instrument** | | | |
| Bonds and notes | 175.6 | 172.9 | 153.2 |
| Interbank borrowings | 238.4 | 234.7 | 207.4 |
| Intragroup loans | 186.9 | 210.1 | 199.6 |
| Loans | 82.6 | 94.2 | 84.1 |
| Non-resident holdings of domestic debt securities | 269.7 | 269.7 | 285.5 |
| Non-resident deposits | 139.1 | 146.3 | 143.7 |
| IMF allocation of Special Drawing Rights (SDRs) | 29.7 | 30.0 | 26.9 |
| Others | 133.5 | 170.3 | 162.1 |
| **Maturity profile** | | | |
| Medium- and long-term | 723.8 | 764.2 | 745.8 |
| Short-term | 532.0 | 564.0 | 516.6 |
| **Currency denomination** | | | |
| Ringgit | 409.8 | 419.0 | 433.9 |
| Foreign | 846.0 | 909.2 | 828.5 |
| **Total debt/ GDP**, % | **69.2** | **70.7** | **66.3** |
| **Short-term debt/ Total debt**, % | **42.4** | **42.5** | **40.9** |
| **Reserves/ Short-term external debt**, time(s) | **1.0** | **1.0** | **0.9** |

Note: Figures may not add up due to rounding.
Source: Ministry of Finance, Malaysia and Bank Negara Malaysia

## Table 5: **Credit to the Private Non-Financial Sector**

| | 2023 | 2024 | | 2023 | 2024 | |
|---|---|---|---|---|---|---|
| | 3Q | 2Q | 3Q | 3Q | 2Q | 3Q |
| | End-period, RM billion | | | Annual change, % | | |
| **Total Credit to the Private Non-Financial Sector**[1] | **2,690.1** | **2,793.0** | **2,819.1** | **4.3** | **5.5** | **4.8** |
| Outstanding corporate bonds[2] | 570.2 | 580.9 | 582.4 | 5.0 | 3.4 | 2.1 |
| Outstanding loans[3,4] | 2,119.9 | 2,212.2 | 2,236.6 | 4.1 | 6.0 | 5.5 |
| Businesses | 758.8 | 791.2 | 793.0 | 1.9 | 5.7 | 4.5 |
| *SMEs* | 373.7 | 402.6 | 406.6 | 6.9 | 9.5 | 8.8 |
| *Non-SMEs* | 380.9 | 384.9 | 382.5 | -2.6 | 2.1 | 0.4 |
| Households | 1,361.2 | 1,421.0 | 1,443.6 | 5.4 | 6.2 | 6.1 |
| Credit to Businesses[5] | 1,328.9 | 1,372.1 | 1,375.5 | 3.2 | 4.7 | 3.5 |

[1] Starting with the 4Q 2022 Quarterly Bulletin, credit to the private non-financial sector was introduced to enhance the quality of data on financing channelled towards the generation of domestic economic activity. This replaces the previous series on net financing to the private sector.
[2] Includes conventional and Islamic short-term papers in addition to longer-term bonds and sukuk; excludes issuances by Cagamas, government, financial institutions and non-bank financial institutions.
[3] Loans by the banking system and development financial institutions (DFIs). Refer to the sum of outstanding business and household loans, and excludes loans to government, financial institutions, non-bank financial institutions and other entities.
[4] Excludes loans sold to Cagamas without recourse.
[5] Comprises outstanding loans to businesses and outstanding corporate bonds.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

## Table 6: **Loan Indicators**[1]

| | 2023 | 2024 | | 2023 | 2024 | |
|---|---|---|---|---|---|---|
| | 3Q | 2Q | 3Q | 3Q | 2Q | 3Q |
| | During the period, RM billion | | | Annual change, % | | |
| **Total Private Non-Financial Sector**[2] | | | | | | |
| Loan applications | 419.1 | 386.3 | 431.1 | 4.3 | 4.2 | 2.9 |
| Loan approvals | 214.7 | 200.8 | 223.3 | -0.7 | 6.1 | 4.0 |
| Loan disbursements | 561.4 | 536.6 | 554.3 | 8.0 | 2.2 | -1.3 |
| Loan repayments | 552.2 | 532.7 | 538.2 | 4.1 | 0.2 | -2.5 |
| **Of which:** | | | | | | |
| **Businesses**[3] | | | | | | |
| Loan applications | 181.7 | 148.4 | 180.7 | 4.5 | 6.5 | -0.5 |
| Loan approvals | 106.9 | 92.9 | 112.1 | -6.1 | 9.2 | 4.9 |
| Loan disbursements | 427.6 | 403.3 | 412.7 | 6.4 | 0.5 | -3.5 |
| Loan repayments | 427.1 | 400.6 | 403.9 | 2.3 | -2.1 | -5.5 |
| **SMEs** | | | | | | |
| Loan applications | 106.7 | 86.8 | 97.3 | 26.0 | 5.9 | -8.8 |
| Loan approvals | 52.5 | 47.4 | 51.1 | 7.7 | 2.9 | -2.6 |
| Loan disbursements | 133.1 | 144.0 | 150.3 | 5.7 | 11.8 | 13.0 |
| Loan repayments | 130.2 | 138.7 | 146.4 | 4.4 | 11.0 | 12.4 |
| **Non-SMEs** | | | | | | |
| Loan applications | 74.8 | 61.5 | 83.4 | -15.0 | 7.4 | 11.4 |
| Loan approvals | 53.4 | 45.6 | 61.0 | -17.8 | 16.5 | 14.2 |
| Loan disbursements | 292.9 | 257.6 | 260.6 | 6.6 | -5.0 | -11.0 |
| Loan repayments | 295.8 | 260.6 | 256.3 | 1.6 | -7.7 | -13.3 |
| **Households** | | | | | | |
| Loan applications | 237.5 | 237.9 | 250.4 | 4.0 | 2.7 | 5.4 |
| Loan approvals | 107.8 | 107.9 | 111.2 | 5.4 | 3.5 | 3.1 |
| Loan disbursements | 133.9 | 133.4 | 141.6 | 13.7 | 7.5 | 5.8 |
| Loan repayments | 125.1 | 132.0 | 134.4 | 10.7 | 8.2 | 7.5 |

[1] Loans for all segments include data from banking system and development financial institutions (DFIs).
[2] Refer to the sum of outstanding business and household loans, and excludes loans to government, financial institutions, non-bank financial institutions and other entities.
[3] Numbers for SMEs and Non-SMEs may not add up to total businesses given the inclusion of those with no classification by firm size.
Note: Figures may not add up due to rounding.

Source: Bank Negara Malaysia

## Table 7: **Banking System Profitability Indicators**

| | 2023 | 2024 | | 2023 | 2024 | |
|---|---|---|---|---|---|---|
| | 3Q | 2Q | 3Q[p] | 3Q | 2Q | 3Q[p] |
| | % | | | Annual change, percentage points | | |
| Return on equity[1] | 11.5 | 12.1 | 12.4 | -0.9 | 0.5 | 0.9 |
| Return on assets[1] | 1.3 | 1.3 | 1.4 | -0.11 | 0.07 | 0.11 |
| | RM million | | | Annual change, % | | |
| Net interest income | 14,917 | 15,518 | 15,970 | -8.4 | 6.5 | 7.1 |
| *Add:* Fee-based income | 3,173 | 3,402 | 3,437 | 8.5 | 13.1 | 8.3 |
| *Less:* Operating cost[2] | 10,737 | 11,051 | 11,487 | 7.4 | 2.6 | 7.0 |
| Gross operating profit | 7,353 | 7,870 | 7,920 | -20.2 | 15.6 | 7.7 |
| *Less:* Impairment[3] and other provisions | 897 | 464 | 653 | -45.9 | -44.5 | -27.2 |
| Gross operating profit after provision | 6,456 | 7,405 | 7,267 | -14.5 | 24.1 | 12.6 |
| *Add:* Other income[1] | 4,269 | 5,709 | 5,669 | -6.3 | 13.3 | 32.8 |
| **Pre-tax profit[1]** | **10,725** | **13,114** | **12,936** | **-11.4** | **19.1** | **20.6** |

[p] Preliminary
[1] Banking system profits are aggregated at the entity level. The aggregated results for 2019 onwards are subsequently adjusted for dividend income received from domestic banking subsidiaries (previously added at both the parent and subsidiary levels). The adjustment is reflected under 'Other income'. Differences in comparative pre-tax figures reported in previous Quarterly Bulletins are estimated to range between 5.5% and 10.7%.
[2] Refers to staff costs and overheads.
[3] Refers to 12 Months Expected Credit Losses (ECL), Lifetime ECL Not Credit Impaired and Lifetime ECL Credit Impaired based on the Malaysian Financial Reporting Standard 9 (MFRS 9).
Source: Bank Negara Malaysia

## Table 8: **Insurance and Takaful Sector Profitability Indicators**

| | 2023 | 2024 | | 2023 | 2024 | |
|---|---|---|---|---|---|---|
| | 3Q | 2Q | 3Q[p] | 3Q | 2Q | 3Q[p] |
| | RM million | | | Annual change, %[2] | | |
| **Life Insurance & Family Takaful** | | | | | | |
| Excess income over outgo[1] | 856 | 2,951 | 2,552 | 3,323.0 | 185.3 | 198.3 |
| **General Insurance & General Takaful** | | | | | | |
| Operating profit | 863 | 850 | 844 | -9.7 | -4.2 | -2.1 |
| Claims ratio (%) | 58 | 60 | 56 | 6.0 | 2.3 | -2.7 |

[p] Preliminary
[1] Excess income over outgo excludes investment-linked unit funds to reflect the core performance of insurers and takaful operators' profitability more accurately and thus, may not be directly comparable to the data reported in previous publications.
[2] Refers to percentage points for the annual change of claims ratio.
Source: Bank Negara Malaysia

## Table 9: **Federal Government Finance**[1]

| | 2023 | | 2024[P] | | |
|---|---|---|---|---|---|
| | 3Q | 4Q | 1Q | 2Q | 3Q |
| | RM billion | | | | |
| Revenue | 77.9 | 88.7 | 70.0 | 69.1 | 87.1 |
| *Annual change (%)* | *-6.5* | *2.2* | *-8.2* | *-4.3* | *11.9* |
| Operating expenditure | 69.7 | 97.7 | 77.7 | 79.4 | 76.3 |
| *Annual change (%)* | *0.8* | *4.3* | *16.6* | *2.9* | *9.5* |
| **Current balance** | **8.1** | **-9.0** | **-7.7** | **-10.3** | **10.8** |
| Net development expenditure | 19.6 | 31.1 | 18.7 | 14.9 | 17.4 |
| *Annual change (%)* | *25.9* | *25.7* | *-29.3* | *-17.1* | *-11.3* |
| COVID-19 fund[2] | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall balance** | **-11.5** | **-40.1** | **-26.4** | **-25.2** | **-6.6** |
| **Memo:** | | | | | |
| Total net expenditure | 89.3 | 128.8 | 96.4 | 94.3 | 93.7 |
| *Annual change (%)* | *-1.1* | *-4.2* | *3.5* | *-0.9* | *4.9* |
| Total Federal Government debt (as at end-period) | 1,156.7 | 1,172.5 | 1,209.2 | 1,227.5 | 1,239.1 |
| Domestic debt | 875.0 | 891.0 | 933.8 | 946.2 | 944.8 |
| External debt | 281.6 | 281.5 | 275.4 | 281.3 | 294.3 |
| *Non-resident holdings of RM-denominated debt* | *256.5* | *256.3* | *250.2* | *256.8* | *272.1* |
| *Offshore borrowing* | *25.2* | *25.1* | *25.2* | *24.5* | *22.2* |

[P] Preliminary
[1] Figures may not add up due to rounding.
[2] A specific trust fund established under Temporary Measures for Government Financing (Coronavirus Disease 2019 (COVID-19)) Act 2020 to finance economic stimulus packages and recovery plan.

Source: Ministry of Finance, Malaysia and Bank Negara Malaysia