



Socio-Economic
Research Centre
社会经济研究中心

2026 Macroeconomic Trend and Outlook: Treading a Finer Line

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21 November 2025



Key Points

1

Policy Uncertainties Continue Weighing on Global Growth Prospects

2

Malaysia's Economy Demonstrates Resilience Amid Global Shocks

3

Malaysia's Investment Cycle Remains Intact Supported by Better Investment Climate



Changing Landscape

- 2025 was “the end of the beginning”
- The year 2026 – Resilience, Transition or Disruption?
- We are now living in a world that is more uncertain and complex than before; a world where the environment in which we operate keeps changing around us
- The rules of global trade have been turned on their head
- New geopolitical realities are dawning
- Artificial intelligence (AI), the energy transition, and demographic changes are fundamentally changing our economic activity, business landscape and workplace

Global outlook 2026 – Reasons to remain cautious

So far, there have been fewer severe effects than predicted...

- Global economy is resilient.
- World equity and bond markets and economic activity remain stable.
- Inflation fears are muted for now.
- Asian economies showed resilience, with exports boosted by "frontloading".
- Asian markets have hit record highs, driven by liquidity, rate cuts, a weaker dollar, and the AI boom.



BUT risks and overconfidence linger...

- The Fed's rate cuts come with caveats due to slowing job growth and elevated inflation.
- An important vulnerability is that the United States' continuing gains depend on whether today's optimism about AI is sustained.
- The US could face another government shutdown in 2026! High US debt and fiscal imbalance.
- Southeast Asian export surge is temporary and due for a "payback."

Tracking global and regional financial indicators

Presidential election to pre-inauguration
 (5 Nov 2024 to 19 Jan 2025) / (Nov 2024 to Jan 2025)
 Since "Liberation Day"
 (2 Apr 2025 to Latest) / (Apr to Latest)

US major stock indices

Close price @ 2 Jan 2024 = 100



USD index

Base = 100

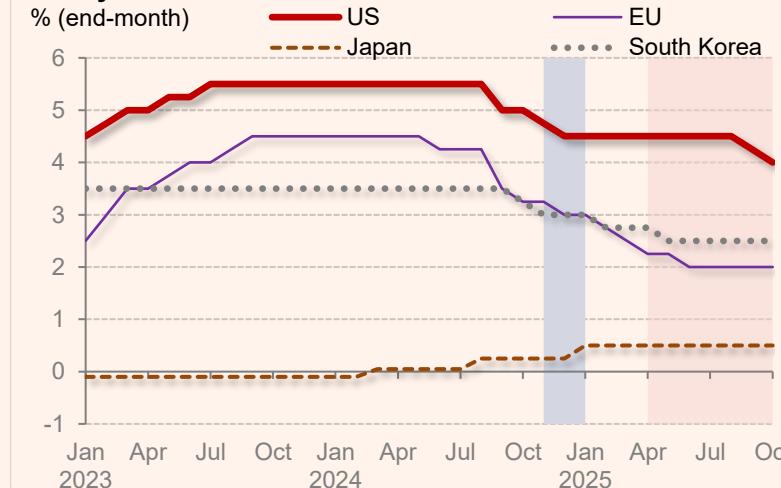


US Treasury Yield (10YR)

%

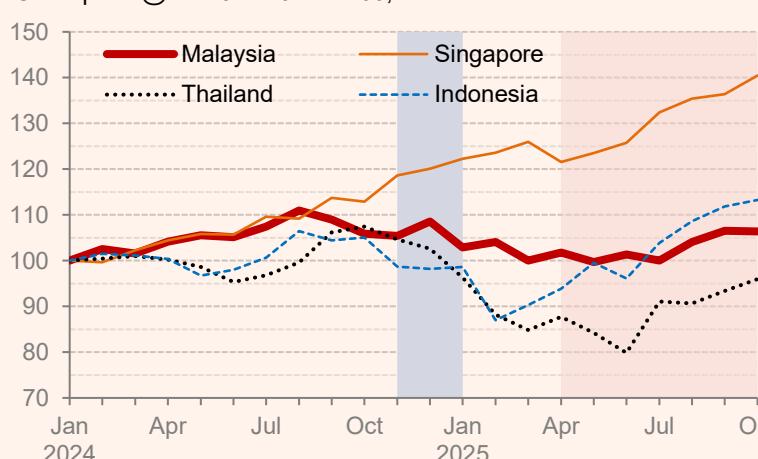
Policy rate

% (end-month)



Regional stock indices

Close price @ end-Jan 2024 = 100; end-month



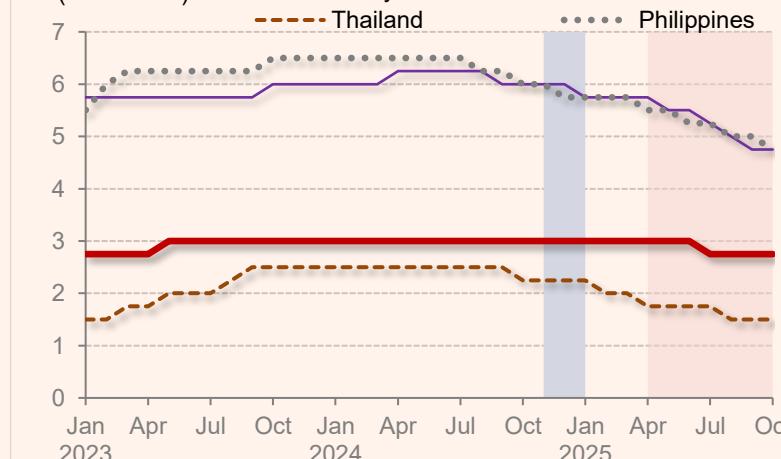
Regional currency performance against USD

Exchange rate against USD @ 2 Jan 2024 = 100



Policy rate

% (end-month)



Source: Google Finance; US Department of the Treasury; WSJ; BIS; Yahoo Finance; BNM (cross rate for other currencies)

Tracking key asset classes

Presidential election to pre-inauguration
 (5 Nov 2024 to 19 Jan 2025) / (Nov 2024 to Jan 2025)

Since “Liberation Day”
 (2 Apr 2025 to Latest) / (Apr to Latest)

Brent crude oil price

USD/barrel



Gold price

USD/troy oz



Crude palm oil price

Local delivered, RM/MT



Bitcoin

USD



Source: World Bank; EIA; Bloomberg; MPOB; Google Finance

UNCERTAINTY – Policy upheaval and coordination risks

Share of chief economists who think that uncertainty

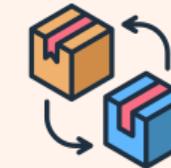


IS CURRENTLY VERY HIGH



WILL BE LOWER IN A YEAR

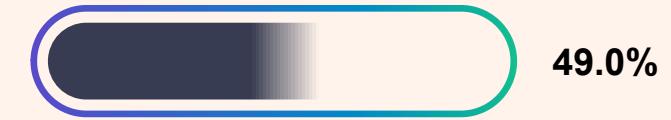
Top 3 areas of the highest global uncertainty



Trade policy



Monetary policy

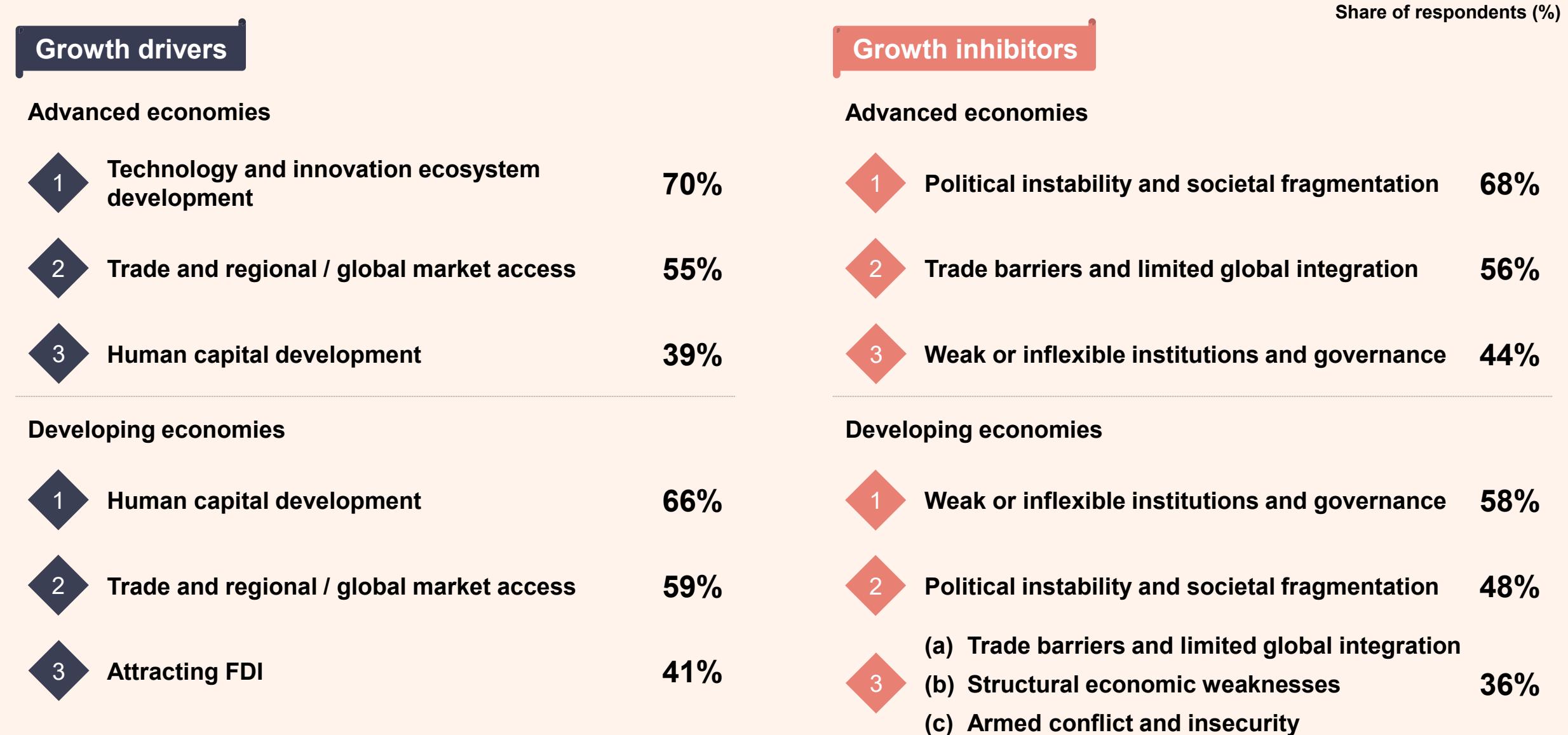


Fiscal policy



Source: Chief Economists Survey (April 2025)

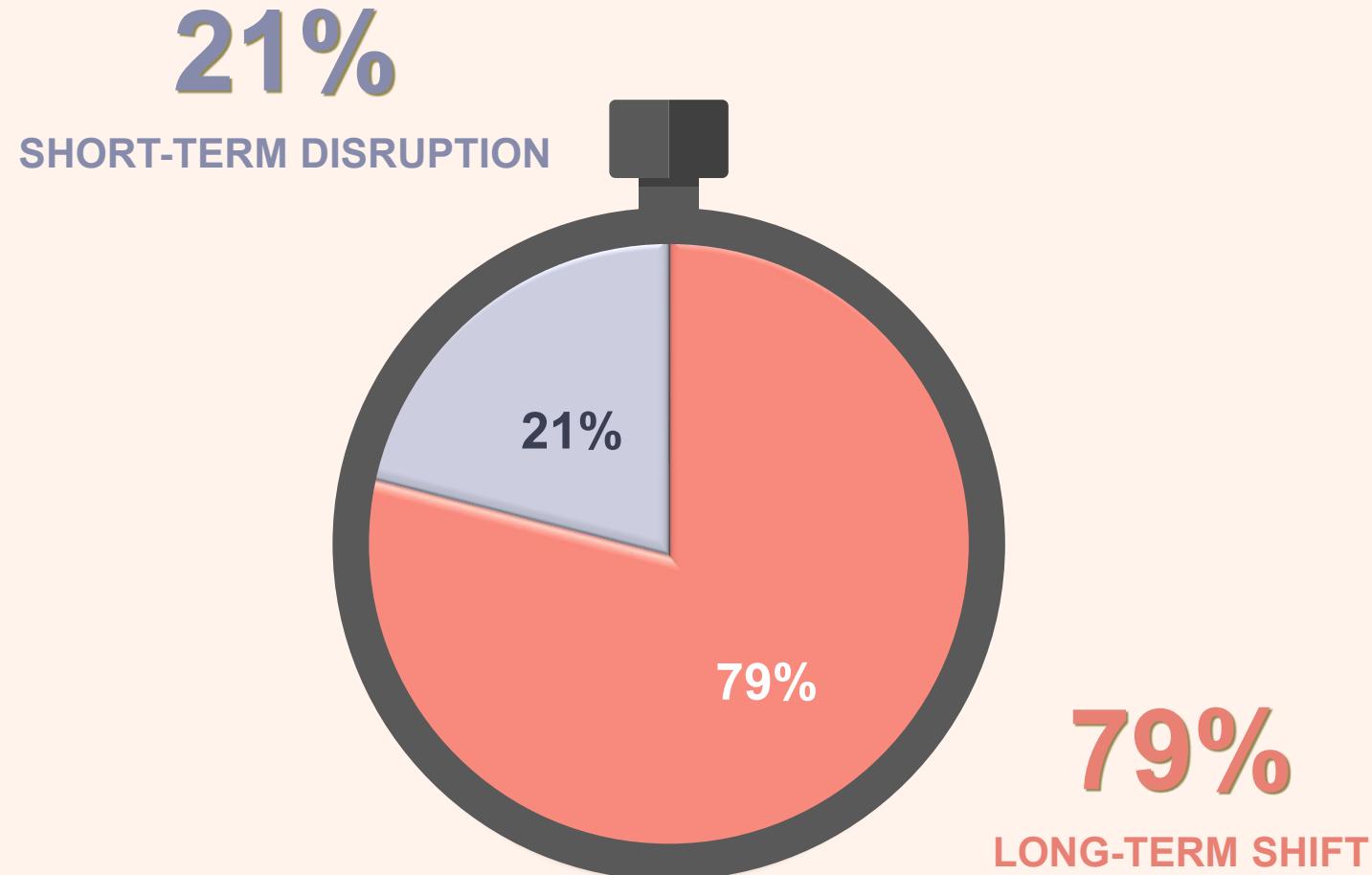
The potential growth drivers and inhibitors in the next three years



Source: Chief Economists Survey (August 2025)

The US government policies on the global economy trajectory

The US policy impact on the global economy



Make America Great Again (MAGA) “3-3-3”

- 3% real economic growth
- 3% budget deficit of GDP
- 3 million barrels of oil per day

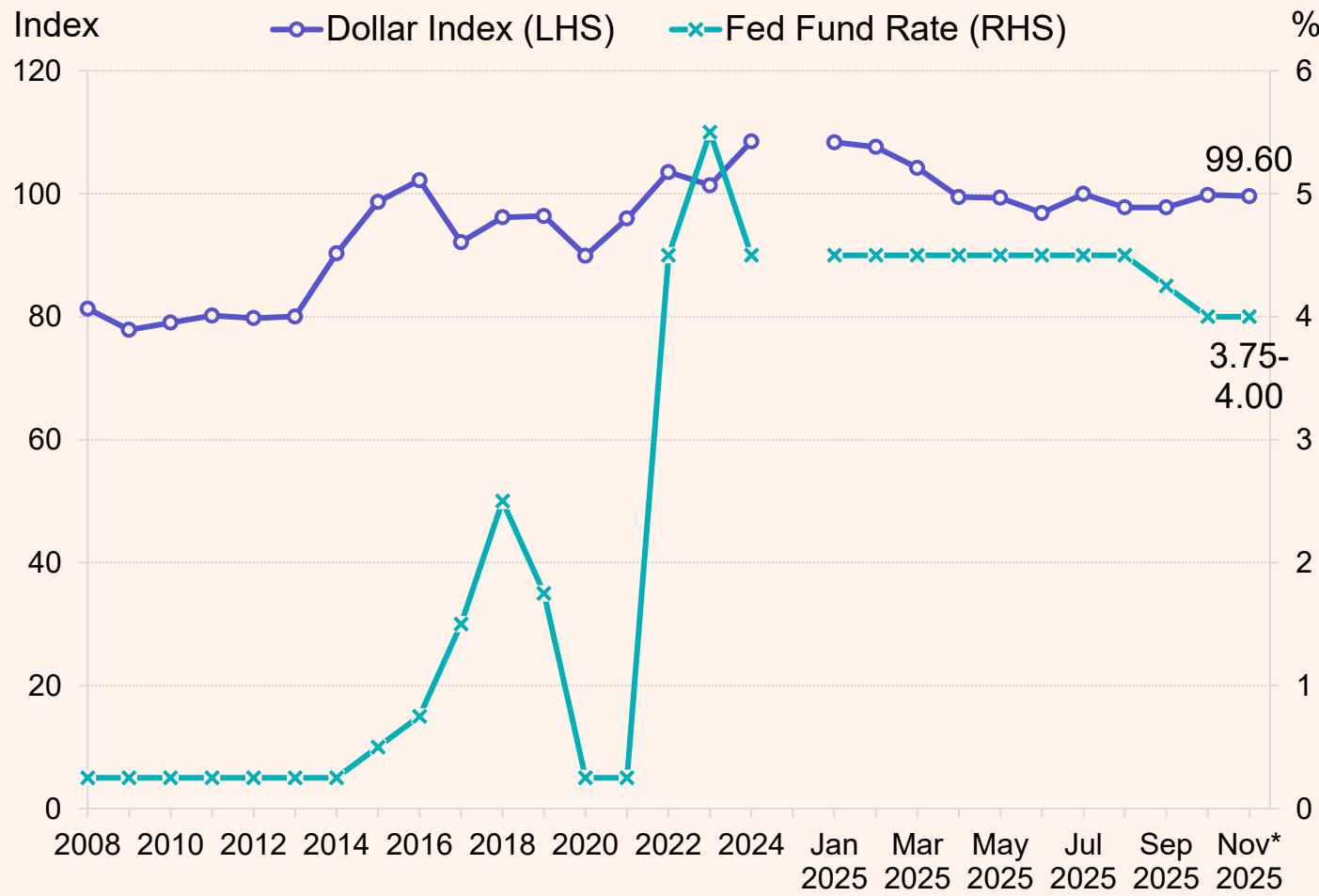
One Big Beautiful Bill Act

- Make permanent the individual tax cuts from the Tax Cuts and Jobs Act (TCJA) while introducing new tax breaks.

Why a full collapse in the US dollar is unlikely?

Dollar Index vs. Fed Fund Rate (Upper Bound)

End-Period, Yearly (2008-2024), Monthly (2025)



* 18 Nov 2025 ^ Estimated by the Committee for a Responsible Federal Budget (CRFB) in its CRFB Adjusted August 2025 Baseline.

Source: Federal Reserve System; The Wall Street Journal; Congressional Budget Office (CBO); International Monetary Fund (IMF); US Census; various sources

From a top-down perspective, the America First agenda and plans to revitalise US manufacturing run counter to a strong dollar strategy. **Will the White House acquiesce to a devaluation of the dollar?**

- **The Fed's easing cycle** – reduces the relative returns of the USD assets.
- **Intervention in the Fed's independence.**
- **Dual pressures on fiscal deficit and debt.** Budget deficit at estimated 5.8% of GDP in 2025, and debt stood at USD36.2 trillion or 118.8% of GDP at end-June 2025, posing fiscal stability risks.
- **The USD's reserve status.** The USD share of global reserves fell from 58.9% in Q1 2024 to 56.3% in Q2 2025 vs. 21.1% in euro, yen (5.6%), pound sterling (4.8%), Canadian dollar (2.6%) and renminbi (2.1%). Still, **de-dollarisation remains a structural concern.**
- **Holders of UST:** Japan (Jul 2025: 12.6% vs. 12.3% end-Dec 2024), UK (9.8% vs. 8.4%), China (8.0% vs. 8.8%).
- As economic uncertainty grows and rate cut expectations increase, **gold and bitcoin gain on safe-haven demand.**

Adapting to uncertainty, ASEAN at the crossroads

World Trade Policy Uncertainty Index



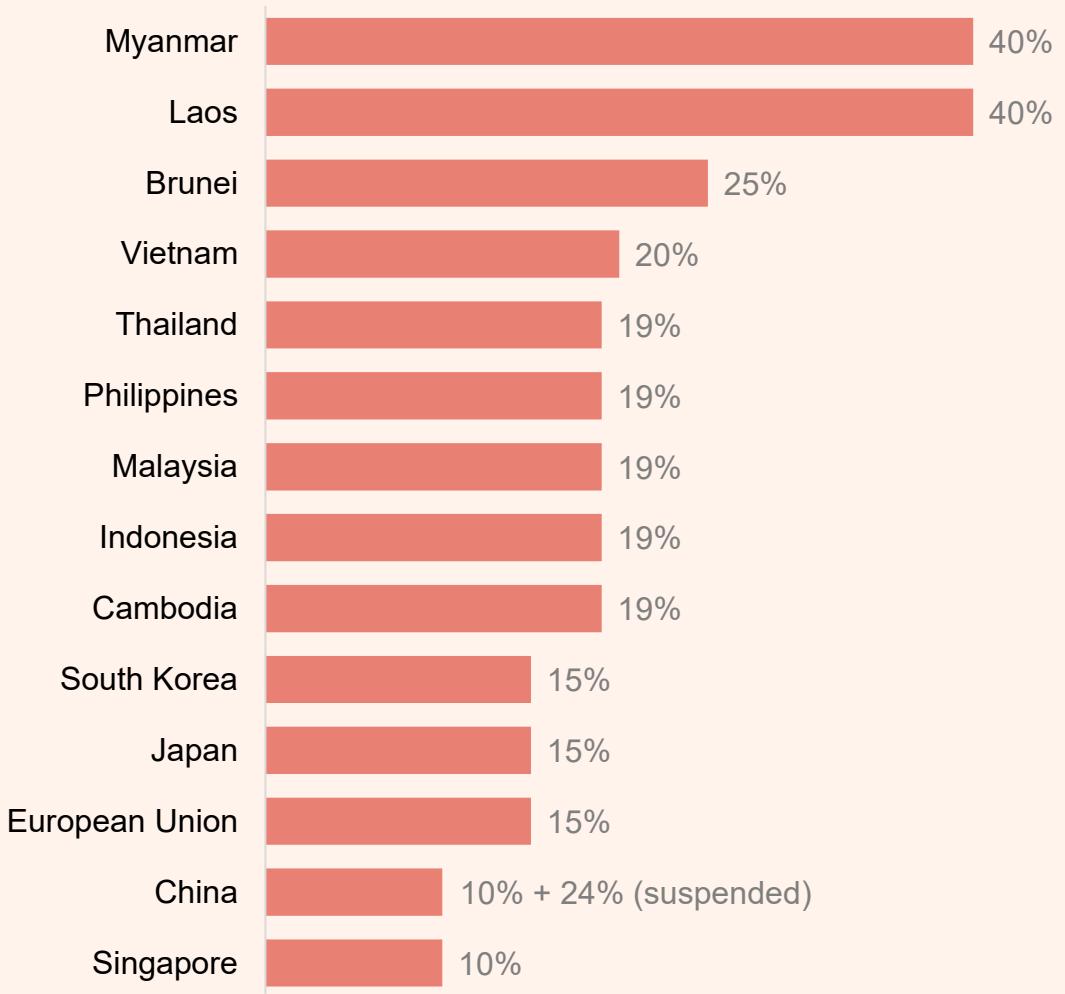
Source: Economic Policy Uncertainty

Top 5 High-Risk Disruptions in Global Economy

- 1 Trade and global value chains (e.g. US tariff)
- 2 Global economic institutions (e.g. WTO vs. protectionism)
- 3 Innovation, technology and data (e.g. Gen AI)
- 4 Natural resources, energy and environment (e.g. extreme weather)
- 5 Financial markets and monetary policy (e.g. market vulnerability)

Source: World Economic Forum, Chief Economists' Outlook (Sep 2025)

Reciprocal Tariff of Major Countries and ASEAN As of 19 Nov 2025



Source: White House

ASEAN's Response: From Fragmentation to Integration

Risks = Opportunities through Collaboration

Together, we identify risks

- 1 Trade and global value chains
- 2 Global economic institutions
- 3 Innovation, technology and data
- 4 Natural resources, energy and environment
- 5 Financial markets and monetary policy

Together, governments create opportunities

Opportunities

- Supply chain diversification ("China+1")
- Intra-ASEAN trade integration
- Leverage RCEP & trade pacts
- Unified ASEAN voice
- Joint response to protectionism
- Partnerships with like-minded blocs
- ASEAN AI/data rules
- Regional digital sandboxes
- Talent reskilling & mobility
- ASEAN green energy grid
- Climate-resilient systems
- Green finance & bonds
- Integrated digital payments
- Regional bond markets
- Stronger financial safety nets

Together, businesses innovate solutions

Innovative Products

Build common foundations:

- AI & data infrastructure
- Green energy & sustainability
- Advanced manufacturing

Achieve frontier technology:

- ◆ Structural battery composites
- ◆ Osmotic power systems
- ◆ Advanced nuclear technologies
- ◆ Engineered living therapeutics
- ◆ GLP-1s* for neurodegenerative disease

* Glucagon-like peptide-1
Source: World Economic Forum

Together, we share the benefits

ASEAN (2024)

Population
693.95 million
(8.5% of the world)

GDP
USD3.95 trillion
(3.6% of the world)

Total Trade
USD3.81 trillion
(7.7% of the world)

FDI Inflows
USD225.02 billion
(14.9% of the world)

Source: World Bank; International Monetary Fund (IMF); World Trade Organisation (WTO); UN Trade and Development (UNCTAD)

GDP Forecast (even larger than expected)

2025F **2026F**

ASEAN-5

4.1% 4.1%

World

3.0% 3.1%

Note: F stands for forecast. ASEAN-5 includes Indonesia, Malaysia, the Philippines, Singapore, and Thailand.
Source: International Monetary Fund (IMF)

Macro challenges for which investors and companies should prepare



PERSISTENT POLICY UNCERTAINTY

Disruptions in trade, rising policy uncertainty, accelerating technological change, resources shift, and growing fragmentation signal a shift to a new economic environment.



NAVIGATING POWER SHIFTS

The US–China rivalry has deepened, the Ukraine–Russia war, and the Israel–Palestine conflict.

Economic blocs are experiencing significant shifts driven by factors like geopolitical tensions, geopolitical allies, technological advancements, and evolving national economic priorities - supply chains security.



TECHNOLOGICAL & DIGITAL REVOLUTION

Increasingly powered by technology advancements in AI, big data, cloud technology, blockchain, cybersecurity, robotics and mechatronic as well as innovation.



CLIMATE EMERGENCY

Climate change poses serious environmental and economic risks. These risks can affect business operations, supply chains and financial markets.



HEIGHTENED CYBER RISKS

In the digital age, heightened cyber security risks pose a significant challenge. The increasing use of advanced technologies such as 5G, AI and Web 3.0 increases the threat of cyber attacks.

Beyond the US tariffs: Adapting to global challenges

De-Risking & Strengthen Resilience

- **Suppliers/Products Diversification:** Multiple suppliers in Malaysia / ASEAN reduce disruption risk.
- **Scenario Planning:** Prepare alternate routes, production sites, and contingency plans.
- **Regulatory Compliance:** Adherence to international standards and ESG rules

Supply Chain Security

- **Cybersecurity:** Segment networks, monitor in real-time, and secure suppliers.
- **Traceability & ESG:** Mapping deep-tier suppliers; use blockchain to verify ethical sourcing.

Mitigating Demand Shocks & Financial Pressures

- **Cost & Pricing:** Renegotiate contracts, apply cost engineering, flexible pricing.
- **Inventory Management:** Buffer stock for high-demand products; just-in-time for cash conservation.

Talent Gap

- **Workforce Development:** Upskill staff, automate repetitive tasks.
- **Strategic Talent Planning:** Locate near talent hubs; partner with government / vocational programs.

Innovation, Technology & Communication

- **AI & Digital Twins:** Predict demand, optimise inventory, simulate tariff scenarios.
- **Communication:** Transparent updates to buyers, investors, and stakeholders; highlight resilience and ESG.

Managing Tariff Impact

- **Selective Sourcing:** Use tariff-exempt / preferential countries for critical components.
- **Product Adjustments:** Modify design or materials to optimise HS codes and reduce duties.

What's global outlook for 2026?



GLOBAL GROWTH

1

Global growth has held up better than expected in 2025 but remains fragile. **Global growth will continue to slow in 2026 amid policy headwinds and risks.** The risks are the shifting trade policy, US inflation risk, the sustainability AI boom, fiscal uncertainty and debt. **The Fed's easing cycle provides a buffer!**



THE US ECONOMY

2

With tariffs reducing purchasing power, **US GDP growth is projected to moderate to 1.9% in 2026 from 2.0% in 2025.** Less-restrictive monetary policy should help cushion demand.

Higher consumer inflation risk could limit the Fed's rate easing. **AI sector has frothy valuations** relative to current earnings



CHINA ECONOMY

3

We expect China's economy to grow moderately in 2026 amid a one-year truce in the trade deal with the US.

Lingering challenges include **structural headwinds, high youth unemployment, and a weak property market.**



THE FED'S ACTION

The Fed chair said that policy rate easing is not on a preset course amid divided Fed voting members' view on whether to cut interest rates in December 2025. Some members exercise caution amid lingering inflation risk. **The Fed funds rate is expected to reach between 3.00%-3.25% by end-2026** (3.50%-3.75% at end-2025).

4



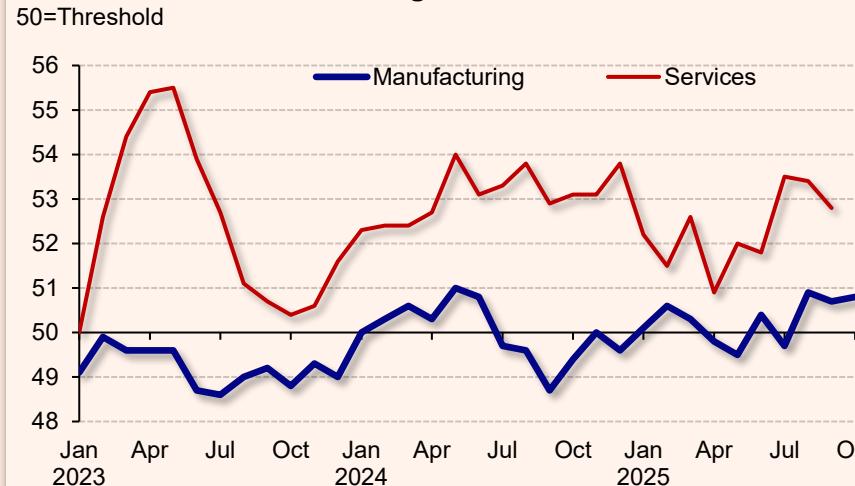
DOWNSIDE RISKS

5

Elevated uncertainty and trade barriers as well as geopolitical conflicts. Rising government debt and fiscal imbalances in the US may limit policy flexibility and increase sovereign risk premiums. Renewed inflationary pressures could derail the monetary easing path.

Global current and forward indicators show mixed trends

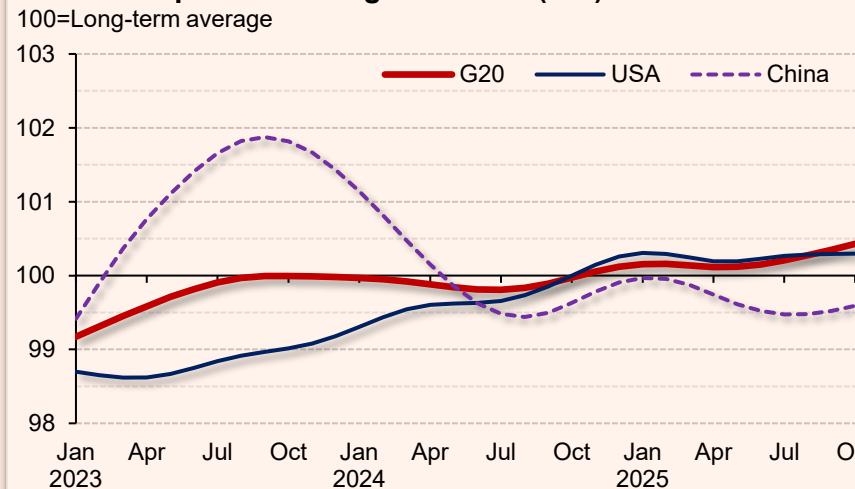
Global PMI for manufacturing & services



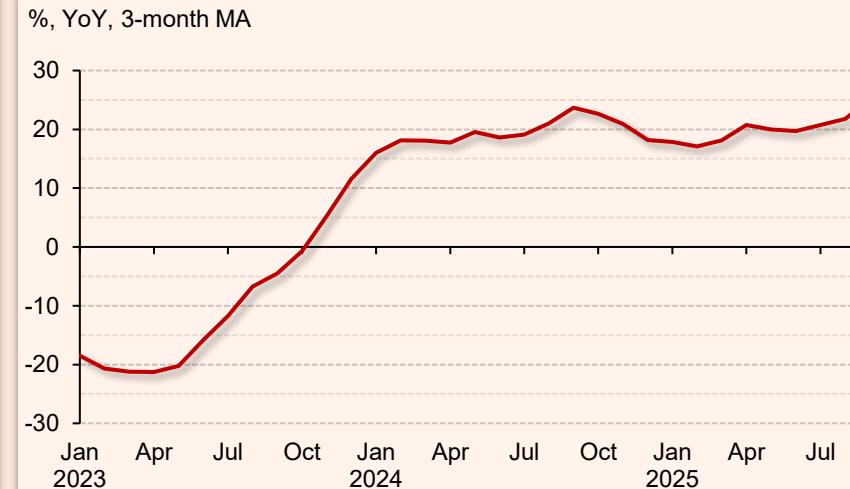
World trade volume and industrial production



OECD Composite Leading Indicators (CLI)



Global semiconductor sales



- Global manufacturing PMI rebounded to an expansionary territory for the third consecutive month in Nov; global services PMI continued to signal an expansionary path ahead.
- The OECD composite leading indicators point to a stable global growth outlook.
- The tariff impact is expected to weigh on global trade volumes in the second half of 2025 and into 2026.
- Global semiconductor sales expanded strongly by 20.2% YoY in the first nine months of 2025, marking the 23rd consecutive month of growth.

Source: S&P Global; Organisation for Economic Co-operation and Development (OECD); CPB Netherlands; World Semiconductor Trade Statistics (WSTS)

High frequency indicators in the US and Eurozone

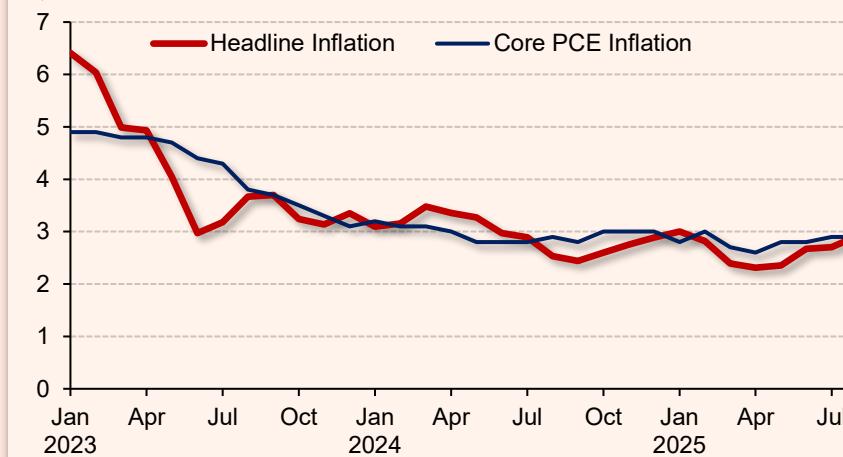
The United States

Gliding into 2026

- A one-year trade truce with the US, lingering concerns remain
- Tariffs' impact on prices mostly still lies ahead
- Concerns about a softening labour market – stalled speed !

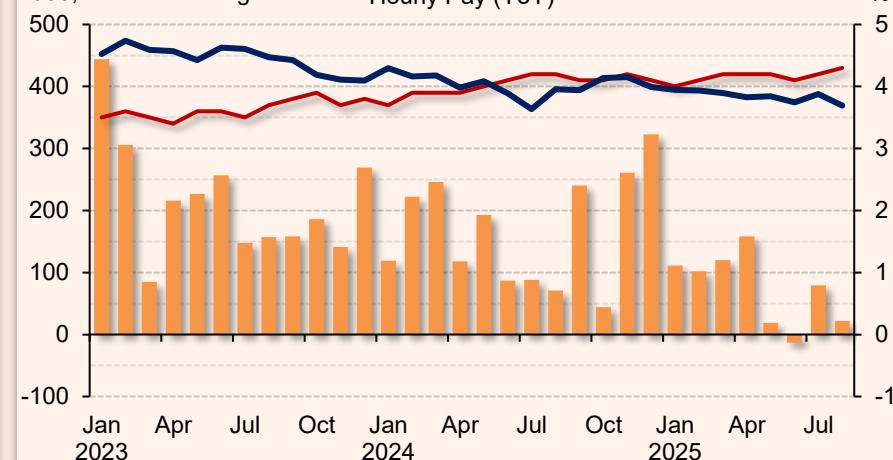
Inflation

%, YoY



Labour market

'000, mom net change



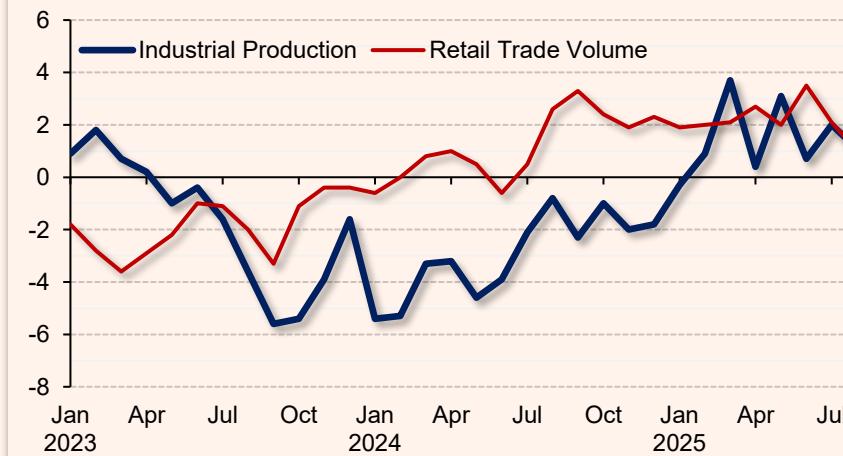
Euro Area

Economic growth remains mixed

- Exports show signs of weakening
- Germany's debt brake restoration slows growth
- Policy interest rate stays put at 2.0% for three meetings after four cuts

Industrial production and retail trade volume

%, YoY



Extra-EA exports

%, YoY



Source: Institute for Supply Management (ISM); US Bureau of Labor Statistics; US Bureau of Economic Analysis (BEA); S&P Global; Eurostat

High frequency indicators in Japan and China

Japan

New leadership to revive Abenomics

- Persistent weaknesses in manufacturing growth
- Inflation rises
- Fiscal stimulus under new leadership should lift growth temporarily

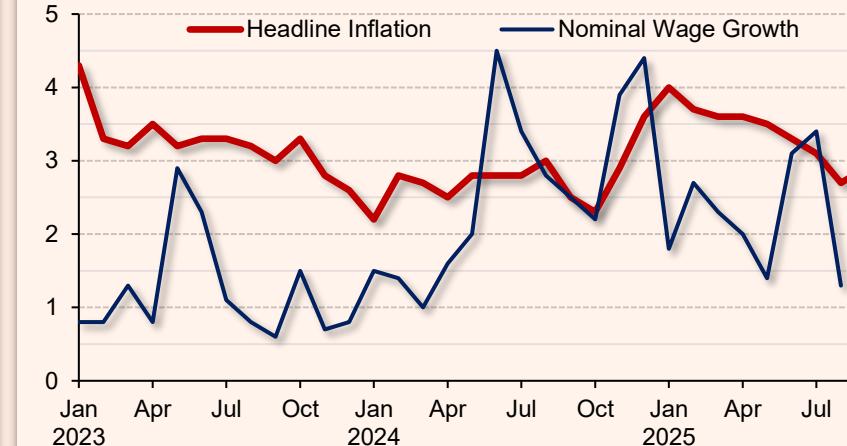
Manufacturing and services PMI

50=Threshold



Inflation and wage growth

%, YoY



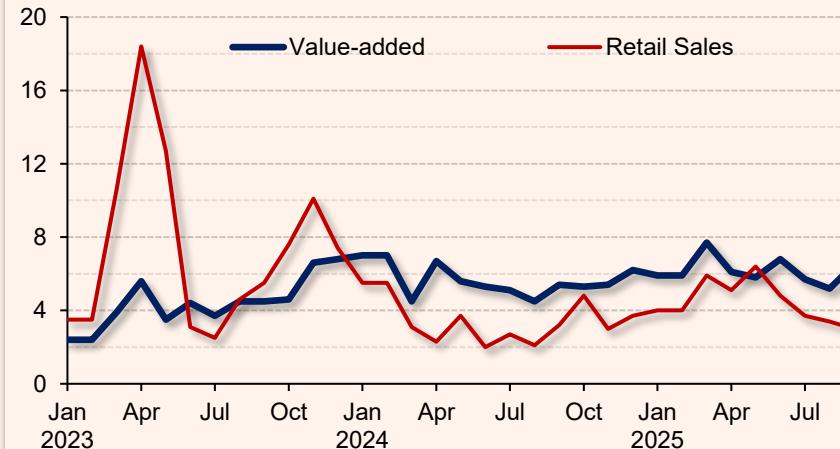
China

Trade pressure eases

- Exports have held up amid the lingering challenges of trade policy
- The property downturn continues to weigh on domestic demand
- Shifting towards the services sector to stimulate consumption and growth

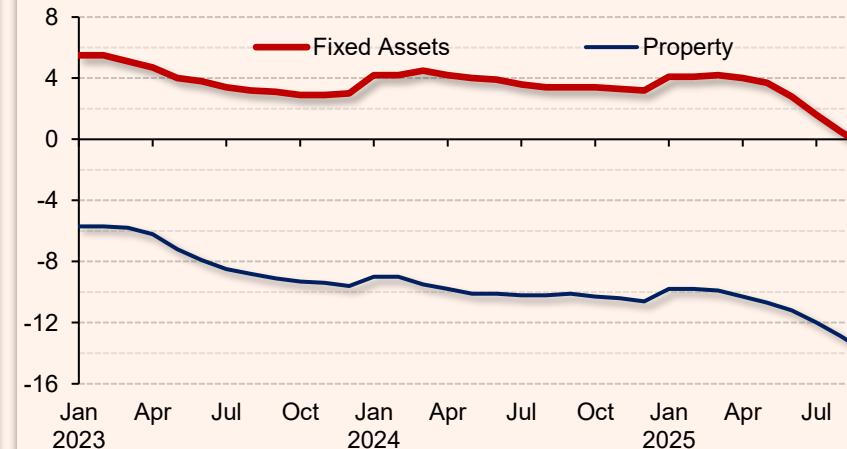
Industrial production and retail trade volume

%, YoY



Accumulated fixed assets and property investment

%, YoY

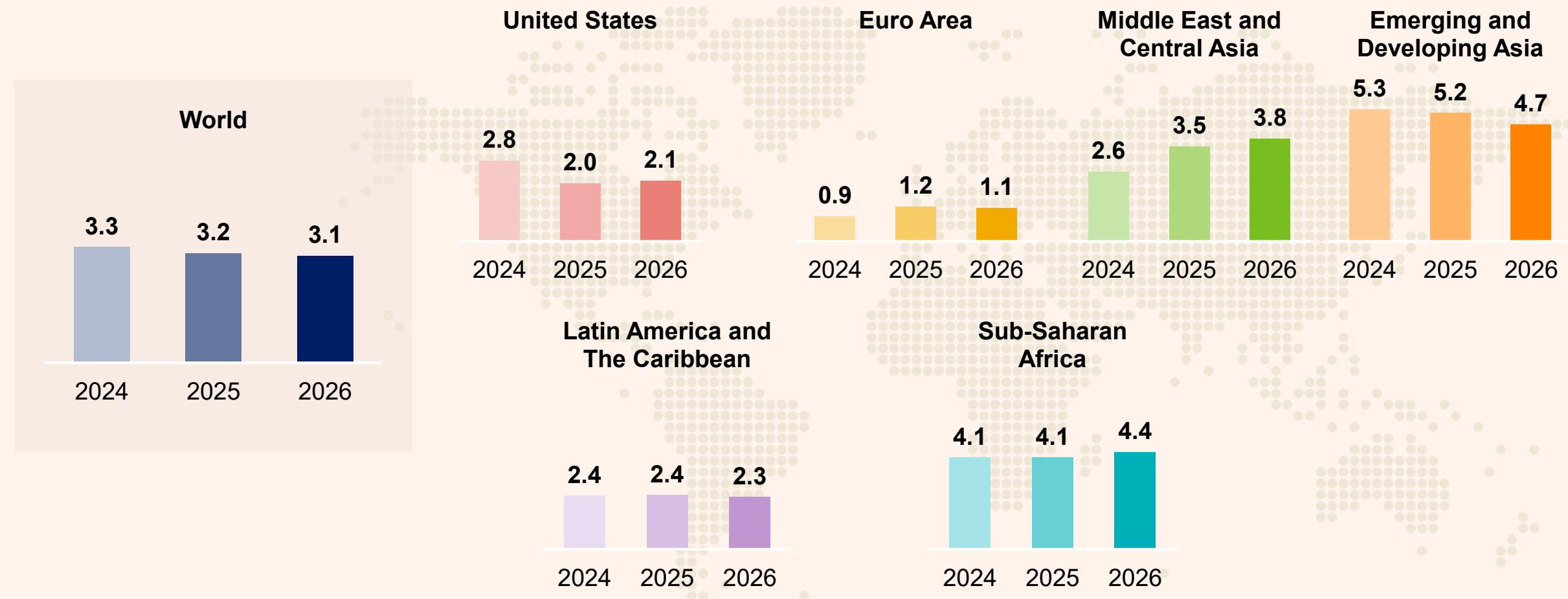


Source: S&P Global; Statistics Bureau, Japan; Ministry of Health, Labour and Welfare (MHLW), Japan; National Bureau of Statistics of China (NBS China)

Diverging growth paths in advanced and emerging economies

World Economic Outlook, October 2025

Real GDP growth, percentage change



Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

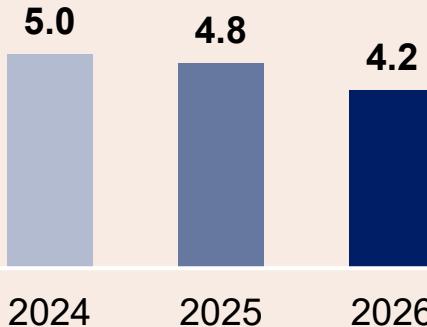
Source: International Monetary Fund (IMF)

Growth moderates across most regional economies

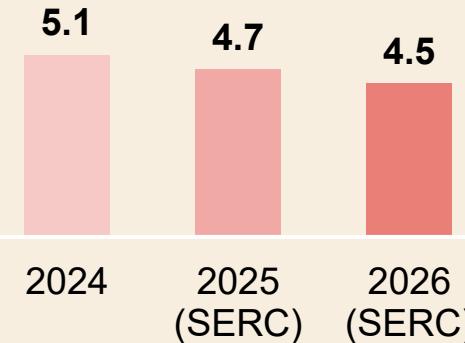
Selected Asian Countries' Economic Outlook

Real GDP growth, percentage change

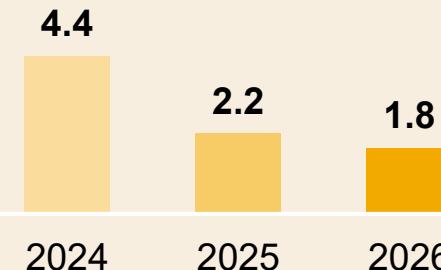
China



Malaysia



Singapore



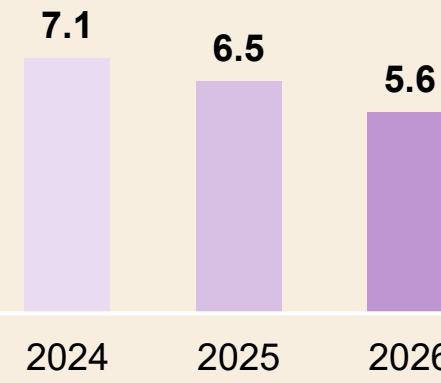
Indonesia



Thailand



Vietnam



Philippines

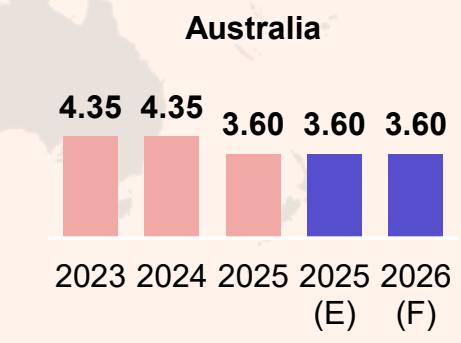
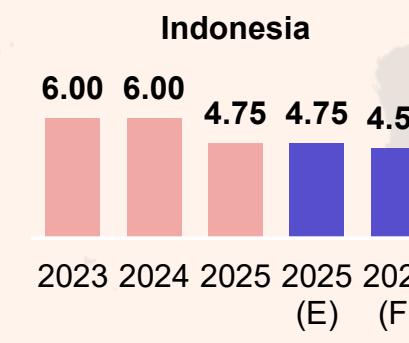
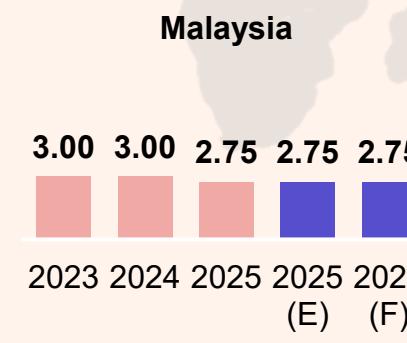
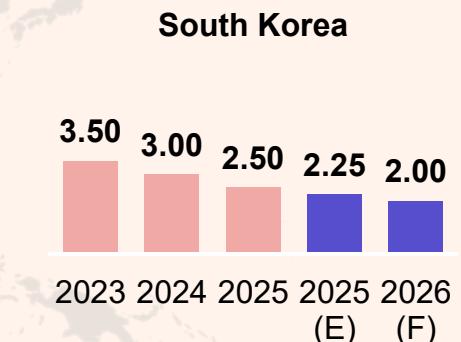
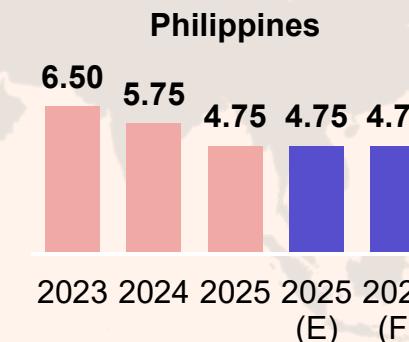
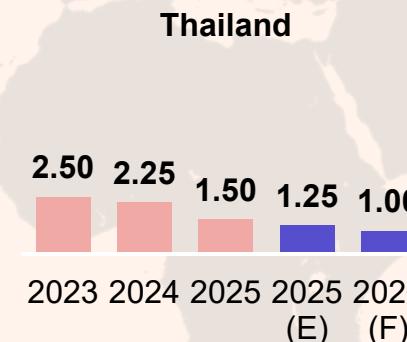
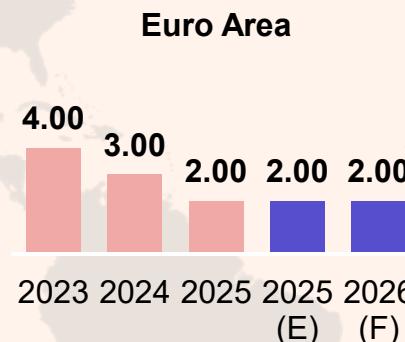
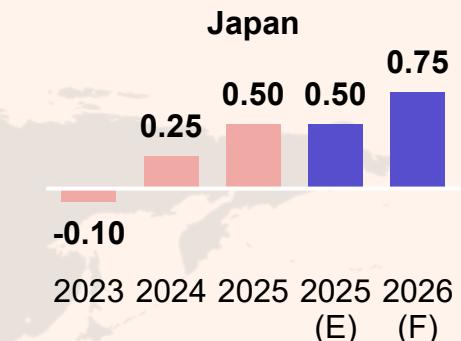
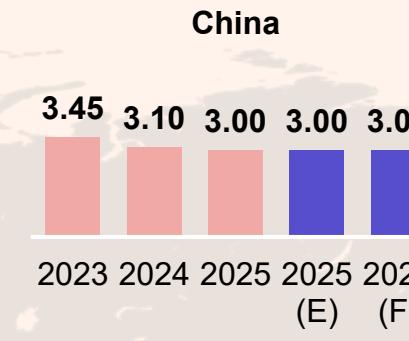
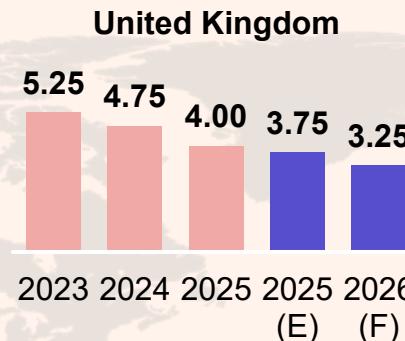
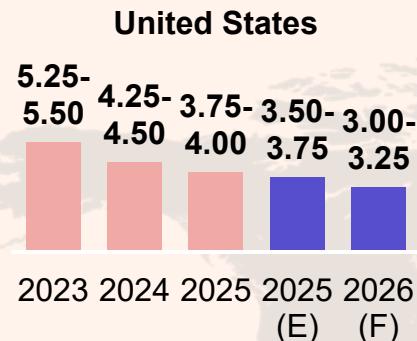


Note: Order of bars for each group indicates (left to right): 2024, 2025 projections, and 2026 projections.

Source: International Monetary Fund (IMF)

Less restrictive monetary stance for growth “insurance” and risk management

Policy rate (%, end-period)



Note: Order of bars for each group indicates (left to right): 2023, 2024, 2025 (Oct/Nov), 2025 estimate (E), and 2026 forecast (F).

Source: Various officials

What's Malaysia outlook in 2026?



1 ECONOMIC GROWTH

Amid weakening exports weighing on domestic growth, **the Malaysian economy is expected to grow by 4.7% in 2025 (4.4% in 1H), and 4.5% in 2026**, underpinned by domestic demand and continued private investment.



2 DOMESTIC DEMAND ANCHORS GROWTH

Positive labour market conditions, continuous wage growth, low inflation, income-related policy, and lower interest rate will support household spending.



3 SUSTAINED PRIVATE INVESTMENT

Investment activity will be sustained by the realisation of approved investment in 2021-2025 and progress of multi-year projects in both the private and public sectors.



4 THE 2026 BUDGET

The fiscal deficit is expected to narrow to 3.5% of GDP in 2026, moving towards the 3% target by 2030, underpinned by continued fiscal reforms such as the enhanced SST, e-invoicing, improved tax compliance, and subsidy rationalisation

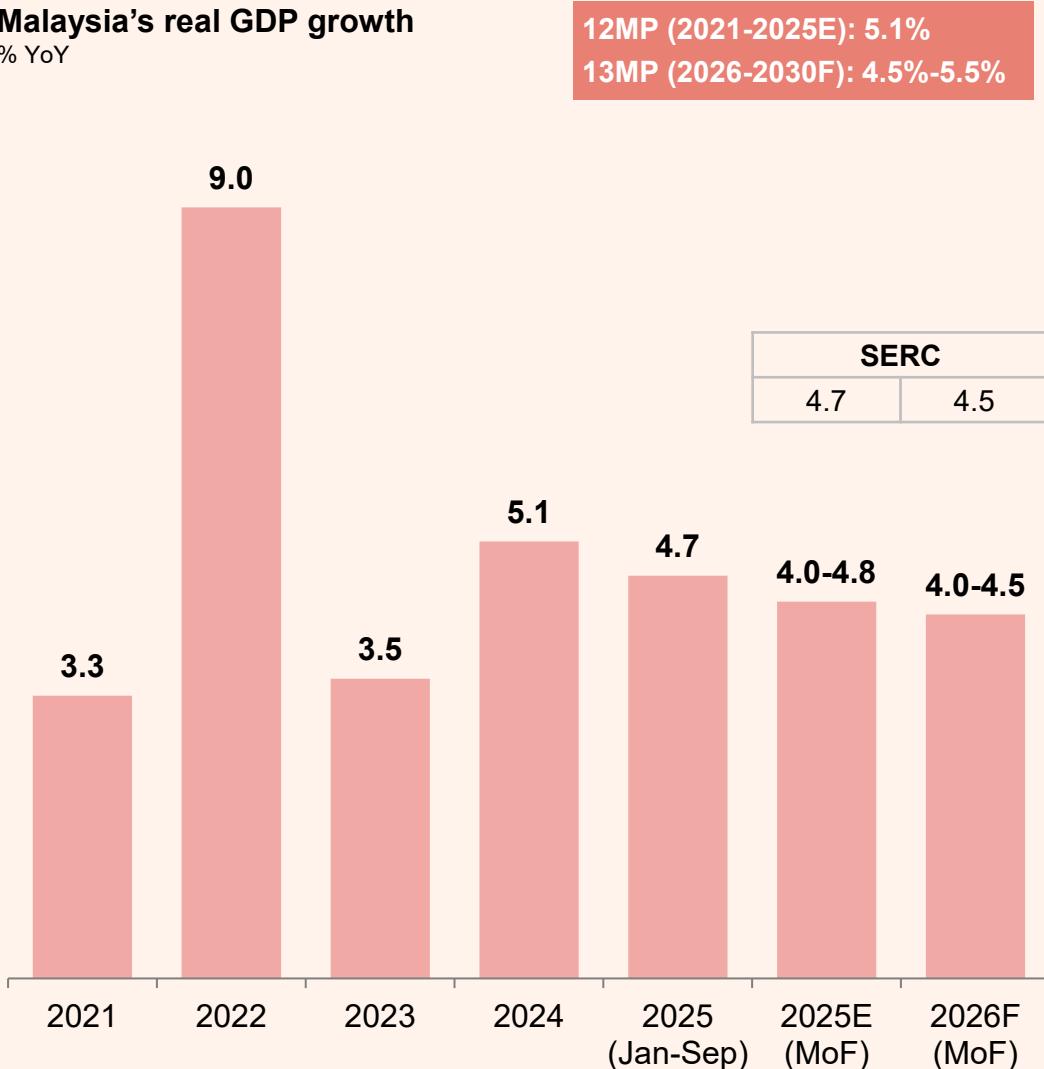


5 STRATEGIC CATALYSTS

The on-going implementation of catalytic initiatives and master plans: New Industrial Master Plan (NIMP) 2030, National Energy Transition Roadmap (NETR), National Semiconductor Strategy (NSS), and the 13th Malaysia Plan (2026-2030).

A resilient and growing economy, anchoring on domestic demand

Malaysia's real GDP growth % YoY



Supporting Drivers

- Private consumption underpinned by strong labour market conditions (unemployment rate: 3.0% in 2025; 3.0% in 2026), continued income growth (nominal wage growth of 3.5% in Jan-Sep 2025), continued cash assistance (RM15.0 billion), second phase of SSPA implementation, and Visit Malaysia 2026 (VM2026) with foreign visitors target of 47 million in 2026 vs. 43 million in 2025 (35.6 million tourist arrivals in 2026 vs. 31.3 million in 2025)
- Investment will be sustained by increased capital spending on structures and machinery and equipment in technology-intensive manufacturing and services sectors
- Realisation of multi-year projects of substantial approved investments (2023: RM329 billion; 2024: RM384 billion; 1H2025: RM118.6 billion) in the pipeline. Realisation rate of approved manufacturing projects (85.1% in 2021 to June 2025)
- Moderate inflation (1.3%-2.0% in 2026 vs. 1.0-2.0% in 2025)

Risks

External

- Heightened global uncertainties
- Weaker global growth
- Unsettled trade tariffs
- Prolonged geopolitical tensions

Internal

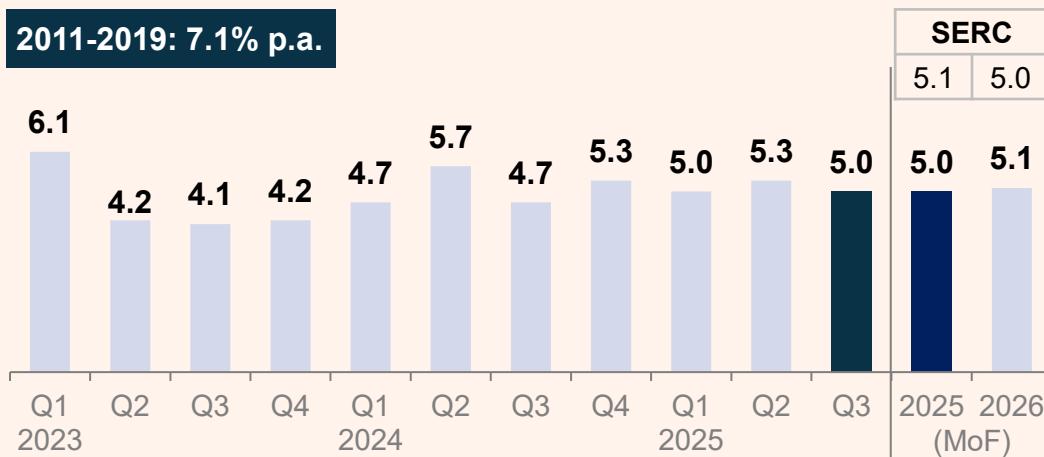
- Slow implementation of various master plans
- Domestic policy changes
- Weak exports negatively impact consumption, investment and economic activities

E=Estimate; F=Forecast
Source: DOSM; MoF

Households could begin to bend, but not break

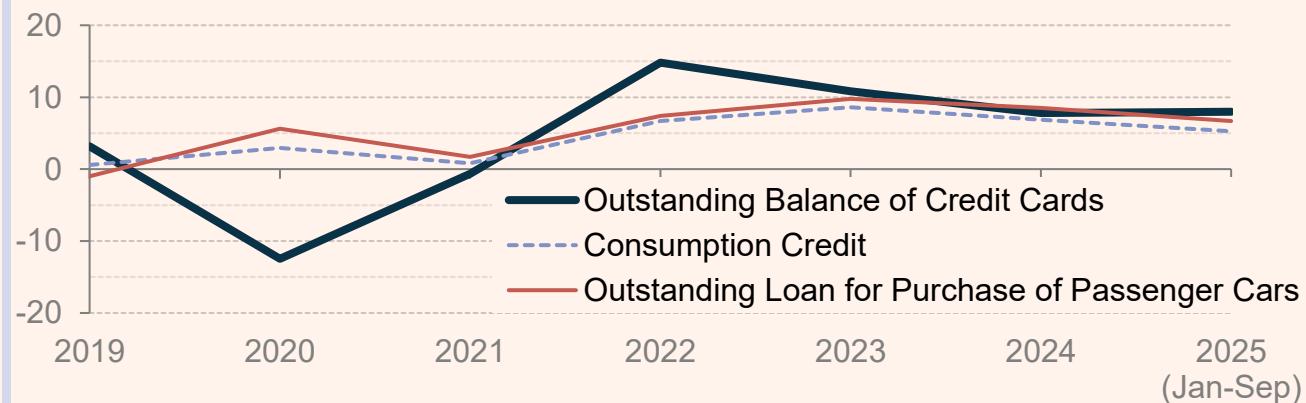
Private Consumption Growth (Annual change, %)

2011-2019: 7.1% p.a.

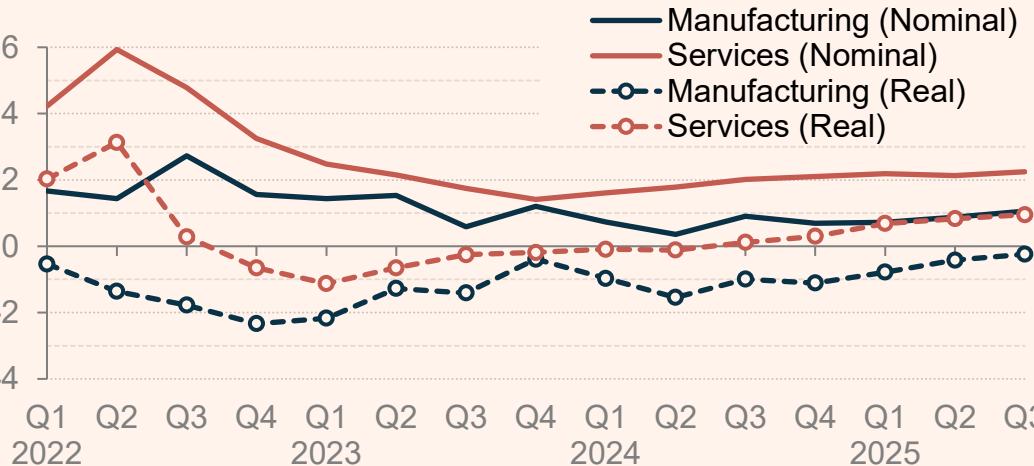


Selected Private Consumption Indicators (Annual change, %)

end-period



Real Wage Growth per Employee (Annual change, %)



Factors Supporting Household Consumption Expenditure

- Stable labour market conditions with a moderate wage growth.
- Civil servants' salary increment, continued cash handouts (RM15 billion in 2025 and 2026).
- Visit Malaysia 2026 (VM2026) aims to attract 47 million visitors or 35.6 million tourists, with RM329 billion total receipts or 15.5% of total GDP (RM147 billion tourist receipts). In Jan-Jul 2025, visitors came to Malaysia have reached 28.2 million (tourist arrivals: 17.8 million), up 14.5% yoy (8.1% yoy for tourists), staying on track to meet the 43 million visitors and 31.3 million tourists target in 2025.

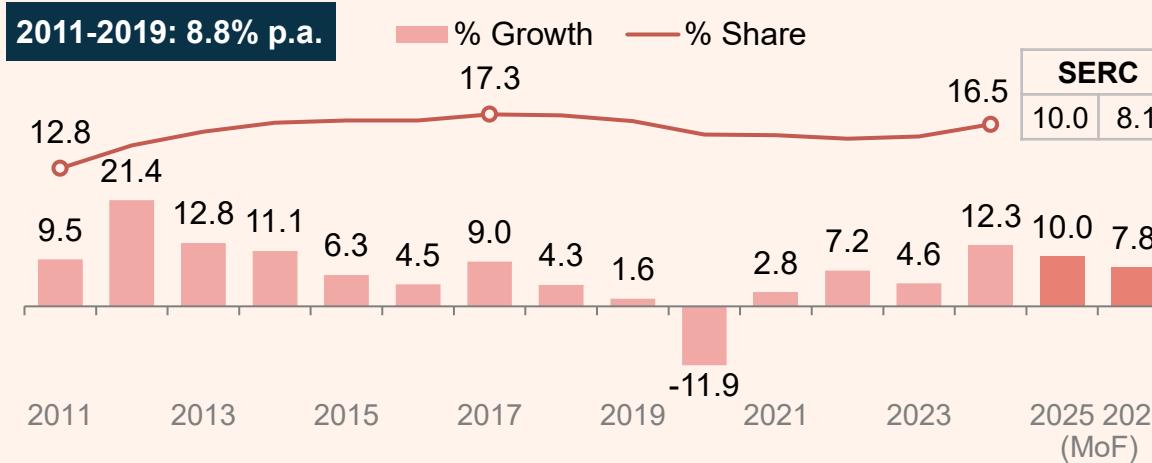
Factors Weighing on Discretionary Consumer Spending

- Rising cost of living pressures.
- Negative spillover from slowing exports.

Source: DOSM; MoF; BNM

Malaysia's multi-year private investment growth remains intact

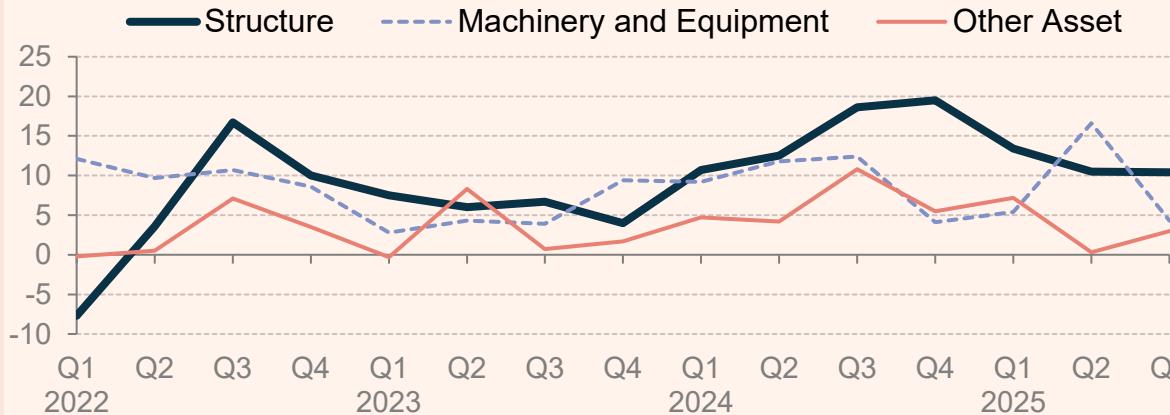
Private Investment Growth – Annually (%)



Private Investment Growth – Quarterly (Annual change, %)



Gross Fixed Capital Formation by Type of Assets (Annual change, %)



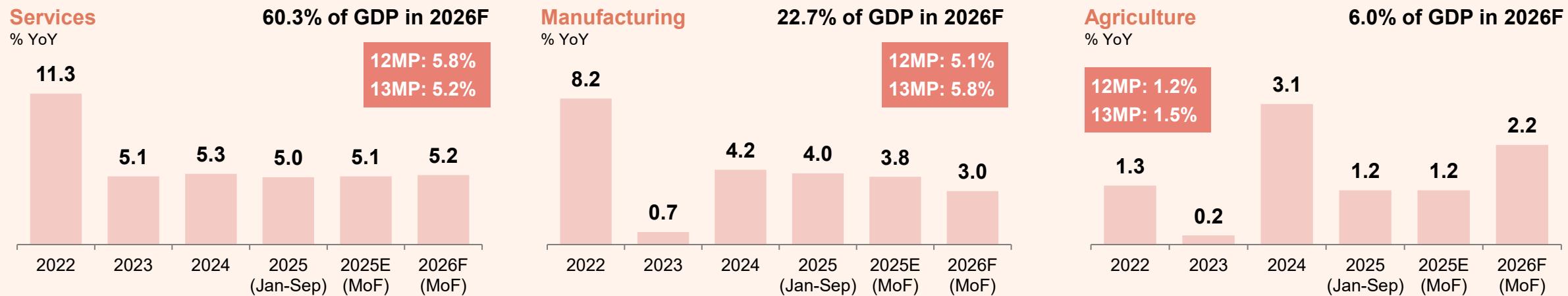
Selected Business Loans (Annual change, %)



Source: DOSM; MoF; BNM

Continued growth in key sectors in 2026

Real GDP growth by sector (%, YoY)



Factors:

- Increased tourism activities
- Expansion in rail, highway, port and airport activities
- Engineering-related services
- Expansion in artificial intelligence (AI) technologies, data centre and cloud computing capacities
- Numerous business and leisure events nationwide
- Malaysia Year of Medical Tourism 2026 (MYMT 2026)

Factors:

- Global technology upcycle; sustained growth across semiconductor products; robust demand for AI applications and digitalisation
- Higher domestic-oriented output attributed to stable investment and consumption activities
- Food and beverages segment supported by surge in visitor arrivals and rising gastronomic activities
- Transportation-related industries benefitted from increasing logistics and travel activities

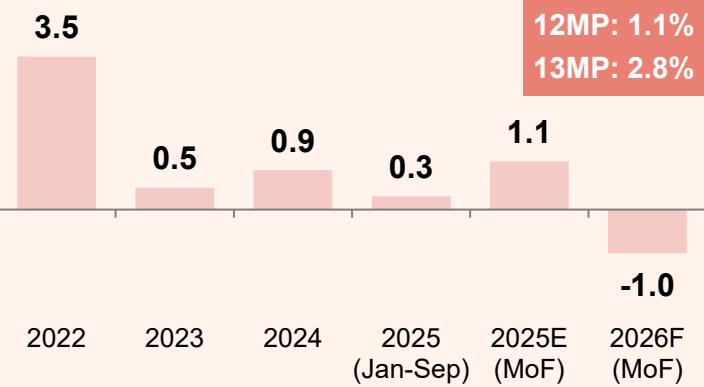
Factors:

- Higher crude palm oil (CPO) output attributed to increased fresh fruit bunches (FFB) and oil extraction rate (OER) – Average CPO price is projected between RM3,900 and RM4,100 per tonne (2025: RM4,000-RM4,300)
- Rebound in rubber subsector, in line with higher production from both estates and smallholdings segments
- Expansion in output of livestock, fishing and other agriculture subsectors

Source: DOSM; MoF

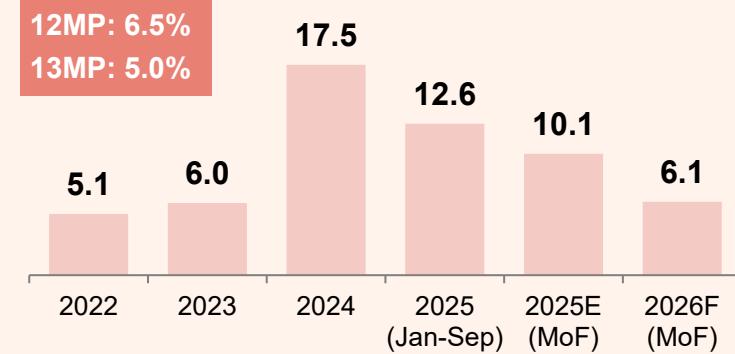
Mining & Quarrying

% YoY



Construction

% YoY



Factors:

- Lower natural gas production in Peninsular Malaysia and Sabah as well as moderating demand from major importing countries; scheduled commencement of several new projects, including Rosmari & Marjoram in Sarawak as well as Irong Timur and Kurma Manis in Terengganu
- Lower crude oil and condensate output in Sabah – Average Brent crude oil price is projected between USD60 and USD65/bbl (2025: Average USD70/bbl)

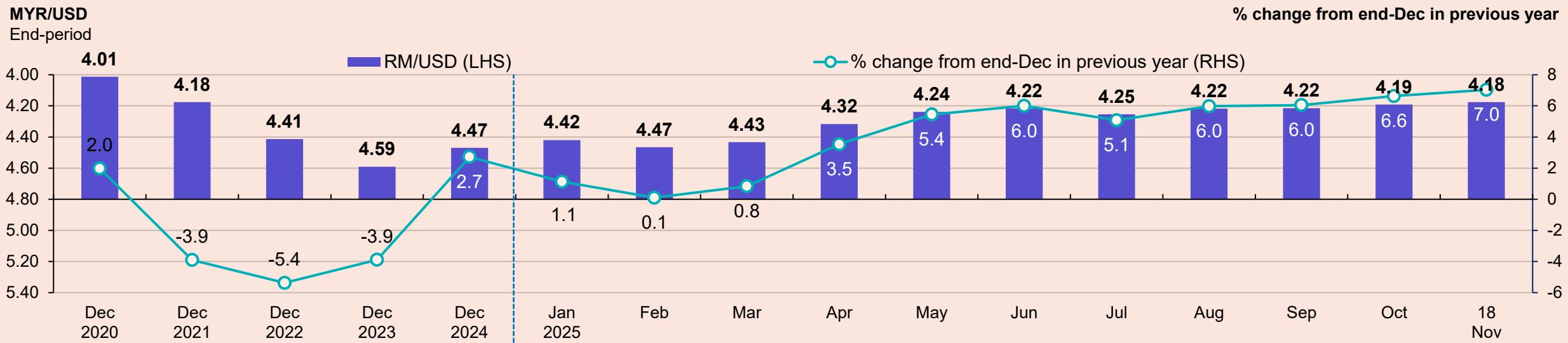
Factors:

- Realisation of approved strategic investments under national policies and commencement of projects under the Thirteenth Malaysia Plan
- Major infrastructure and utilities development such as LRT Mutiara Line, Hybrid Hydro Floating Solar (HHFS), and ASEAN Power Grid
- Sustained demand for industrial facilities, logistics hubs and data centres
- Government-led affordable housing programmes and targeted home ownership initiatives

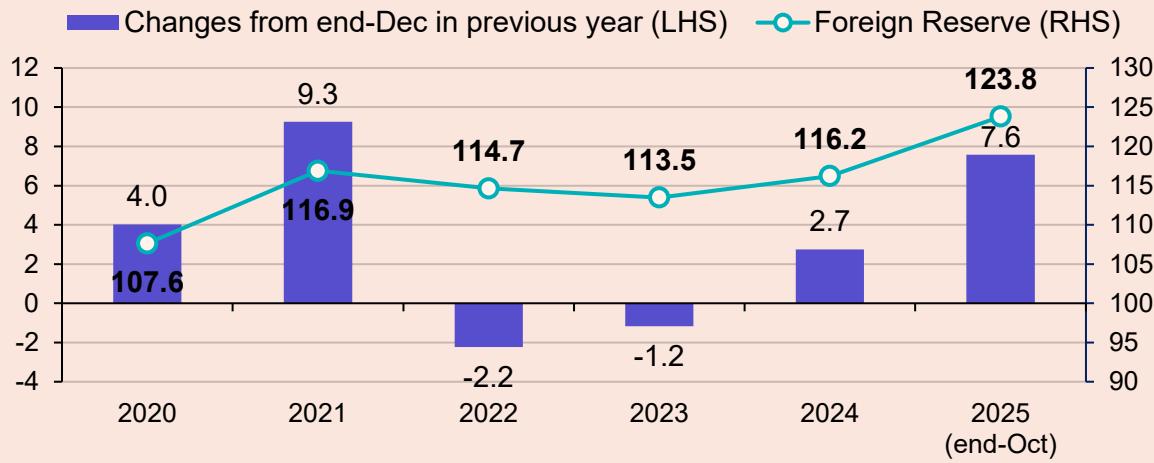


Source: DOSM; MoF

The ringgit vs. Foreign exchange reserves vs. FDI inflows

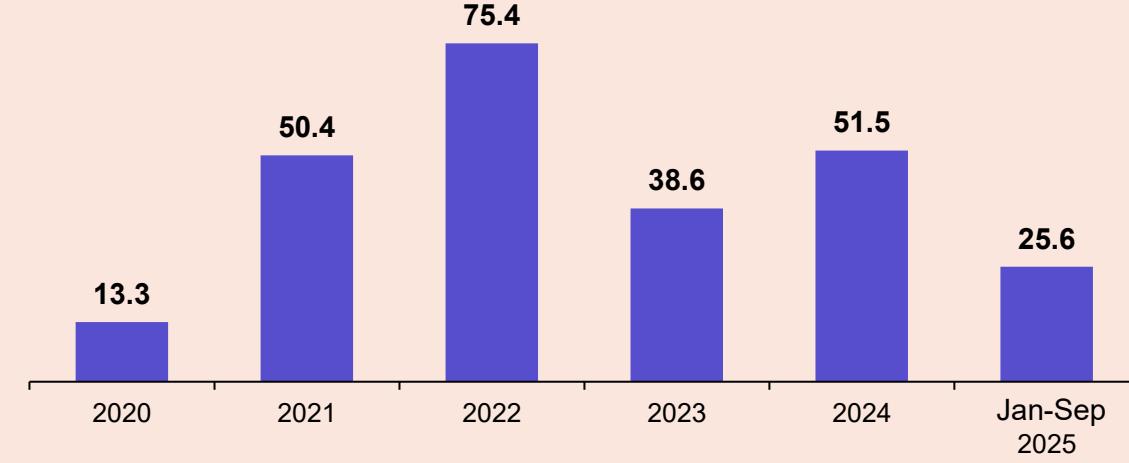


Changes in foreign reserve
USD billion



Foreign reserve
USD billion

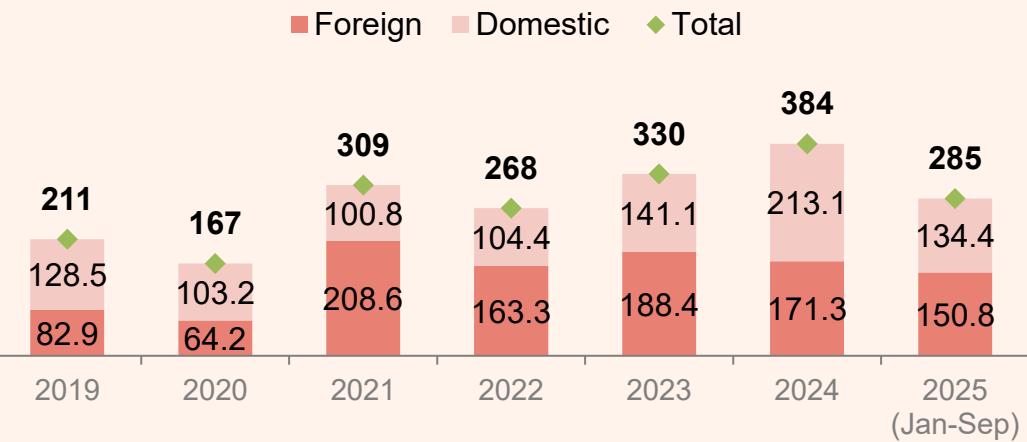
Foreign Direct Investment (FDI) Inflow (net)
RM billion



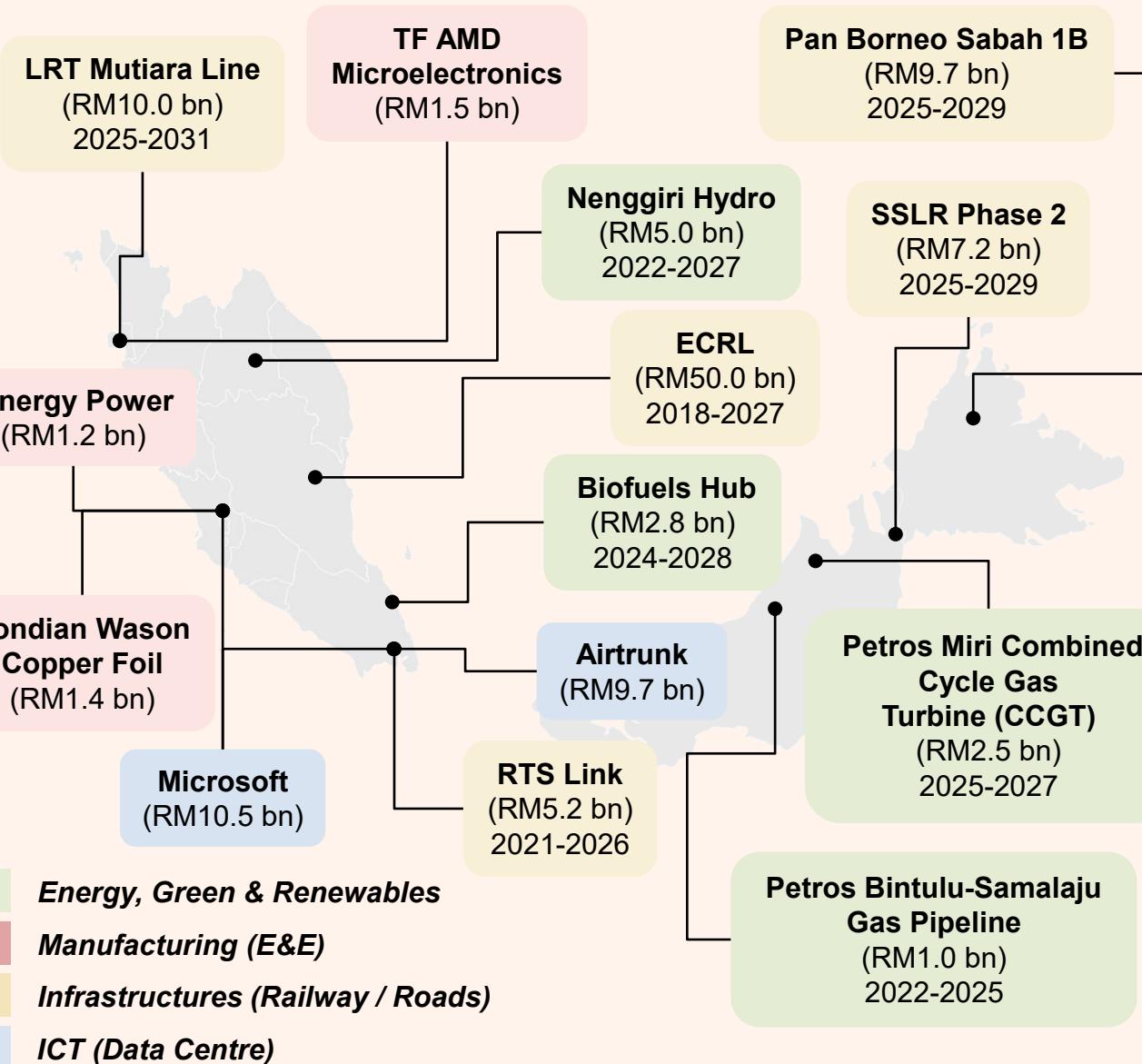
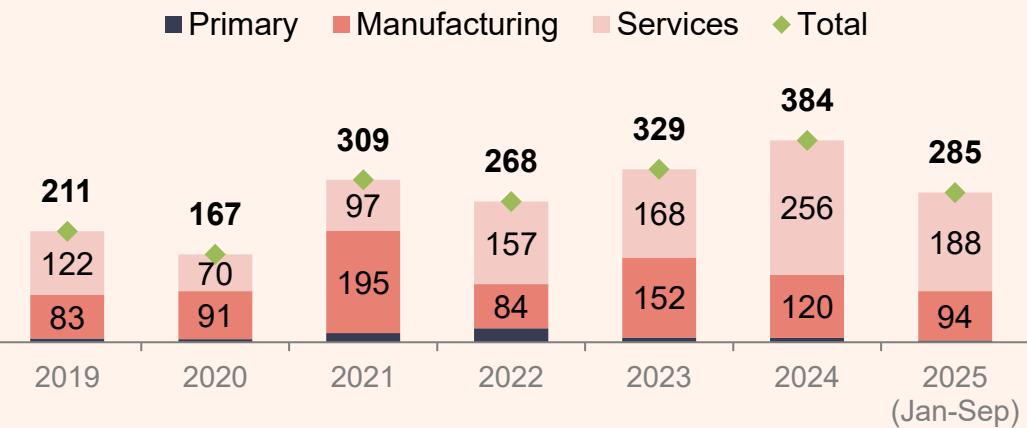
Source: BNM; DOSM

Investment is underpinned by the realisation of multi-years strong approvals

MIDA: Foreign vs Domestic Approved Investment (RM billion)



Approved Investment by Sectors (RM billion)



Source: MIDA; BNM

Tracking Malaysia's economic indicators

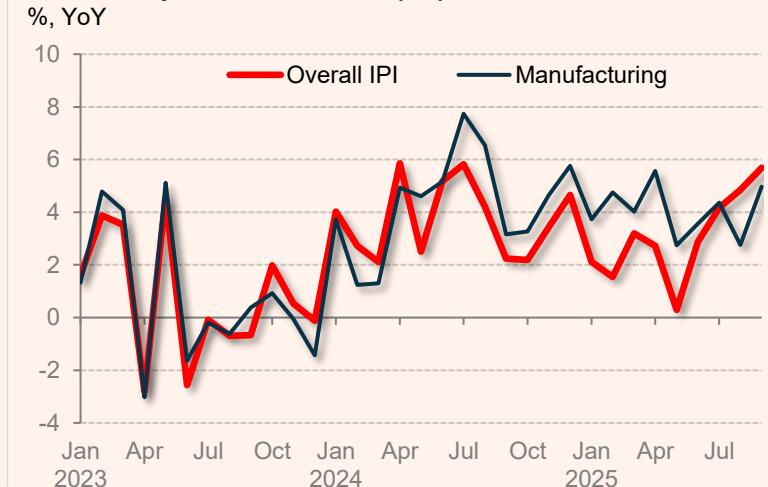
Leading indicators



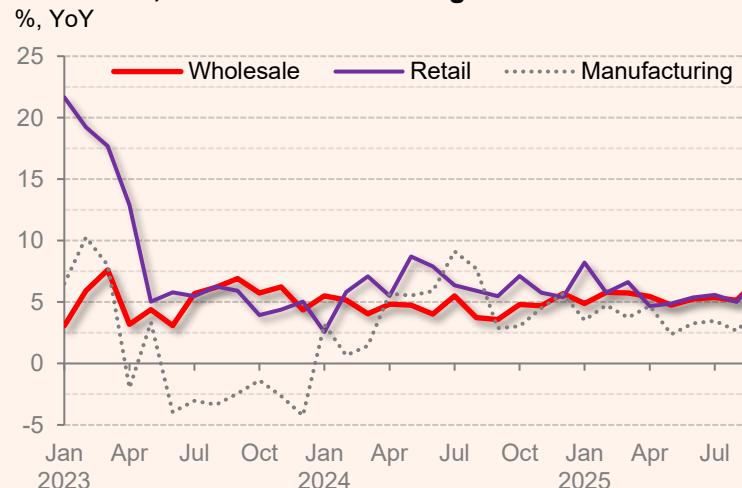
Purchasing Managers' Index (PMI)



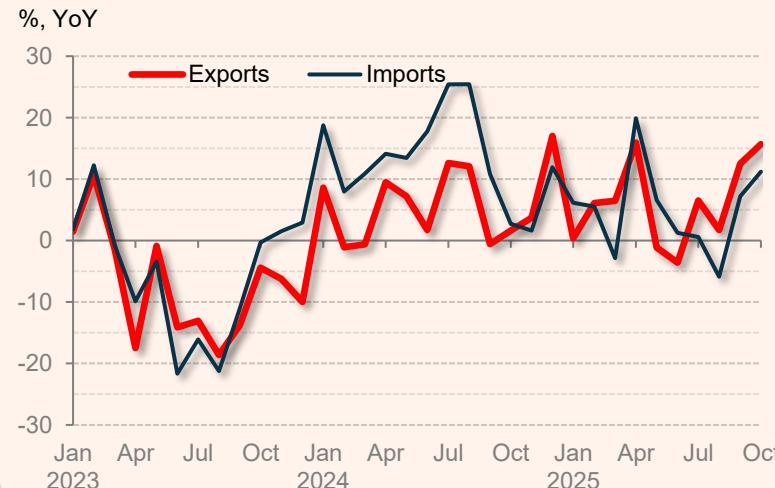
Industrial production index (IPI)



Wholesale, retail & manufacturing sales



External trade



Sales of passenger & commercial vehicles

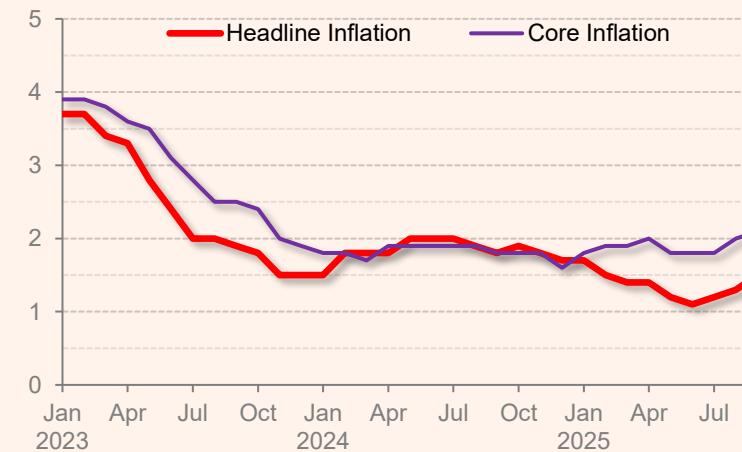


Source: DOSM; S&P Global; Malaysian Automotive Association (MAA)

Tracking Malaysia's economic indicators (cont.)

Inflation

%, YoY



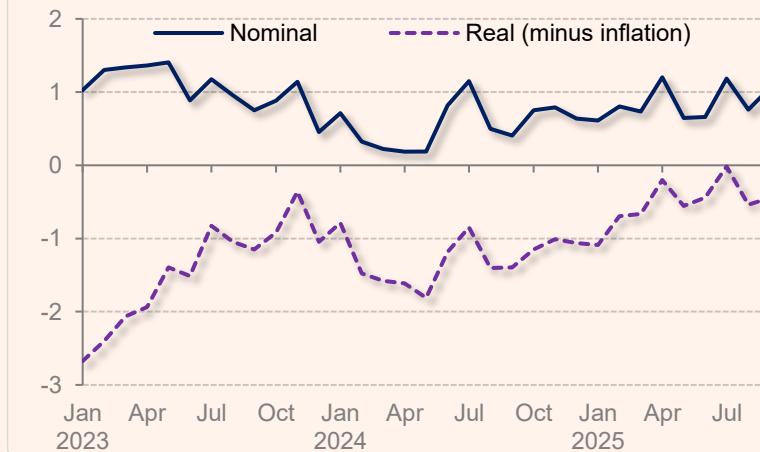
Unemployment

('000)



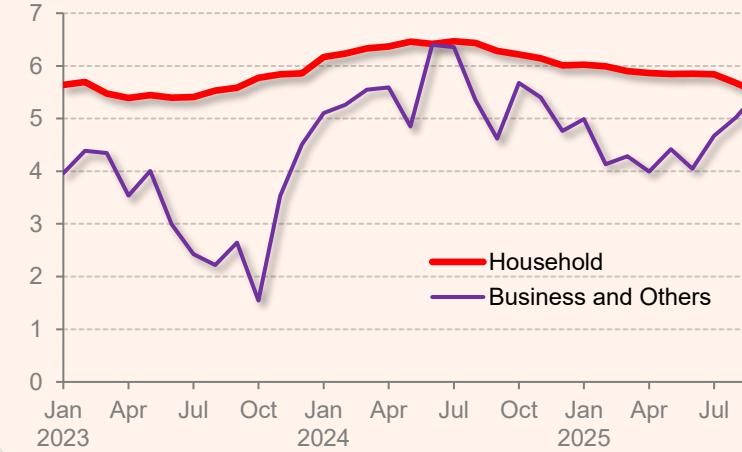
Manufacturing wages (per employee) growth

%, YoY



Outstanding banking loan growth

%, YoY



Money supply

%, YoY



Foreign exchange reserves

USD billion

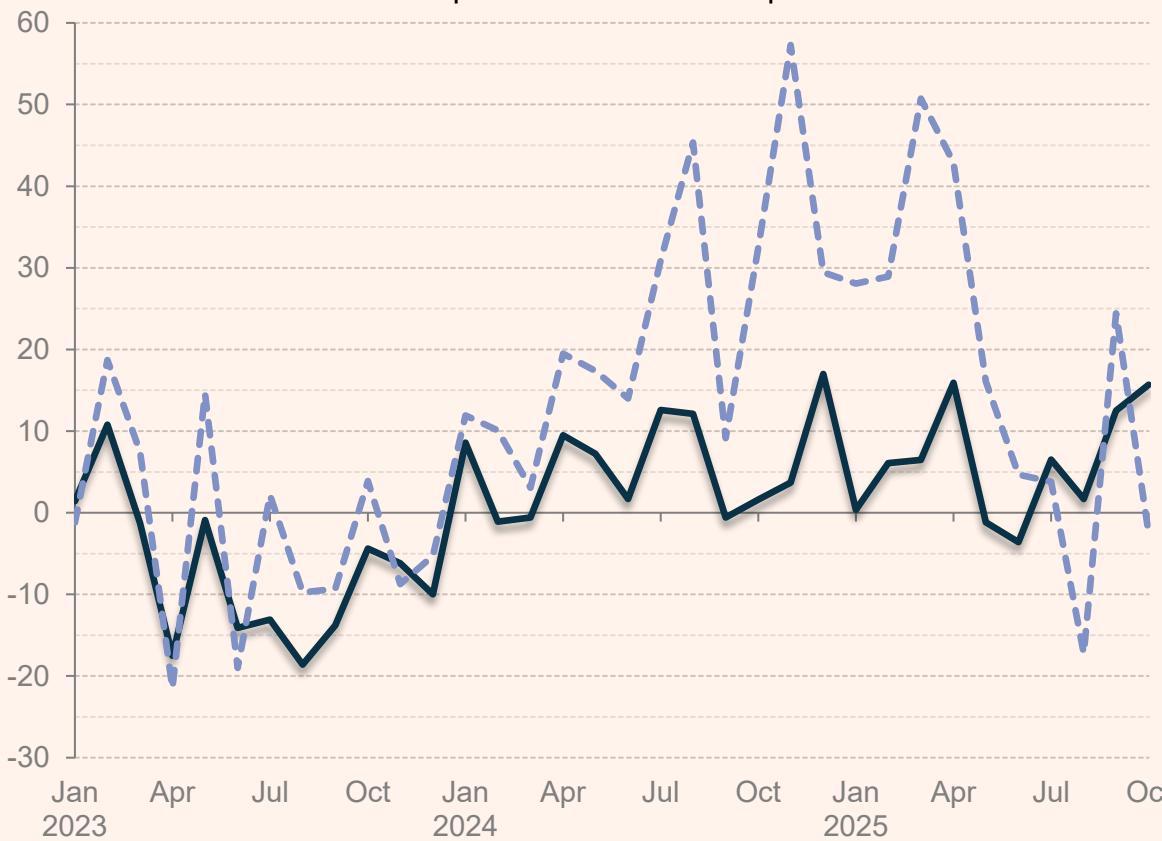


Source: DOSM; BNM

Exports prospect remains challenging due to global headwinds

Total Exports (Annual change, %)

— Total Exports - - - Total Exports to US



Export prospects in 2026

- Global uncertainties, particularly the shifting trade policy will weigh on external demand
- Continued expansion of the electronics and electrical products sector, driven by higher demand for semiconductor and AI edge applications
- Stronger external demand from trade expansion following market and product diversifications
- Intensified intra trade with ASEAN member countries as well as ventures into non-traditional markets
- Higher demand for palm oil-based manufactured products; manufactures of metal; chemicals and chemical products; as well as machinery, equipment and parts
- Sustained global demand for palm oil and palm oil-based agriculture products
- Contraction in mining exports, partly due to slower demand from major importing countries

Source: DOSM

Inflation to remain stable

Headline and Core Inflation (Annual change, %)

2011-2019
Headline: 2.2%
Core: 2.0%

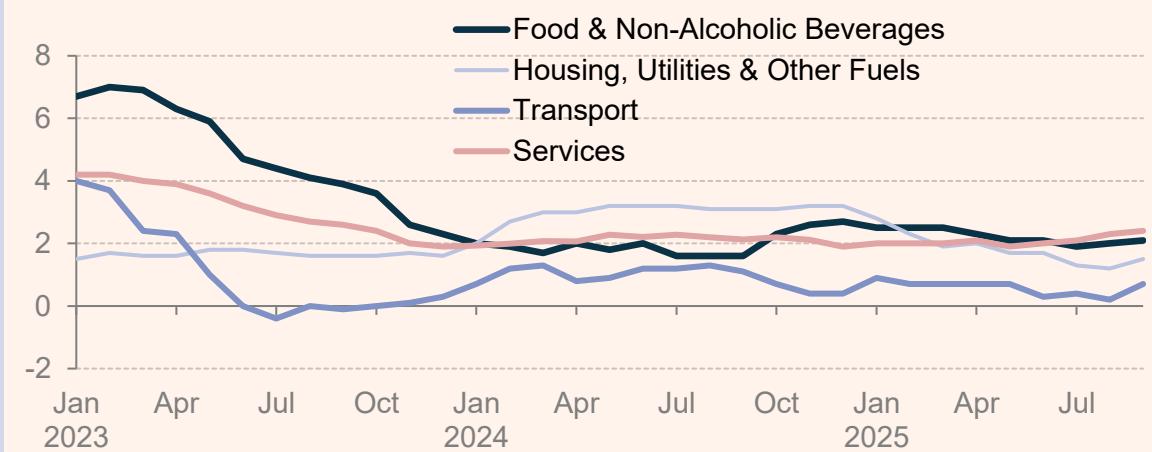
— Headline — Core



Inflation prospect in 2026

- Steady domestic demand, stable labour market conditions as well as policies that support household purchasing power and market stability.
- Price pressures are anticipated to remain contained, supported by ongoing improvements in supply chains and productivity.
- Upside risks: Potential adjustments to domestically administered prices or higher global commodities.
- Downside risks: Stable ringgit, ongoing policy measures and any further easing in global food and energy prices.

Inflation by Selected Categories (Annual change, %)

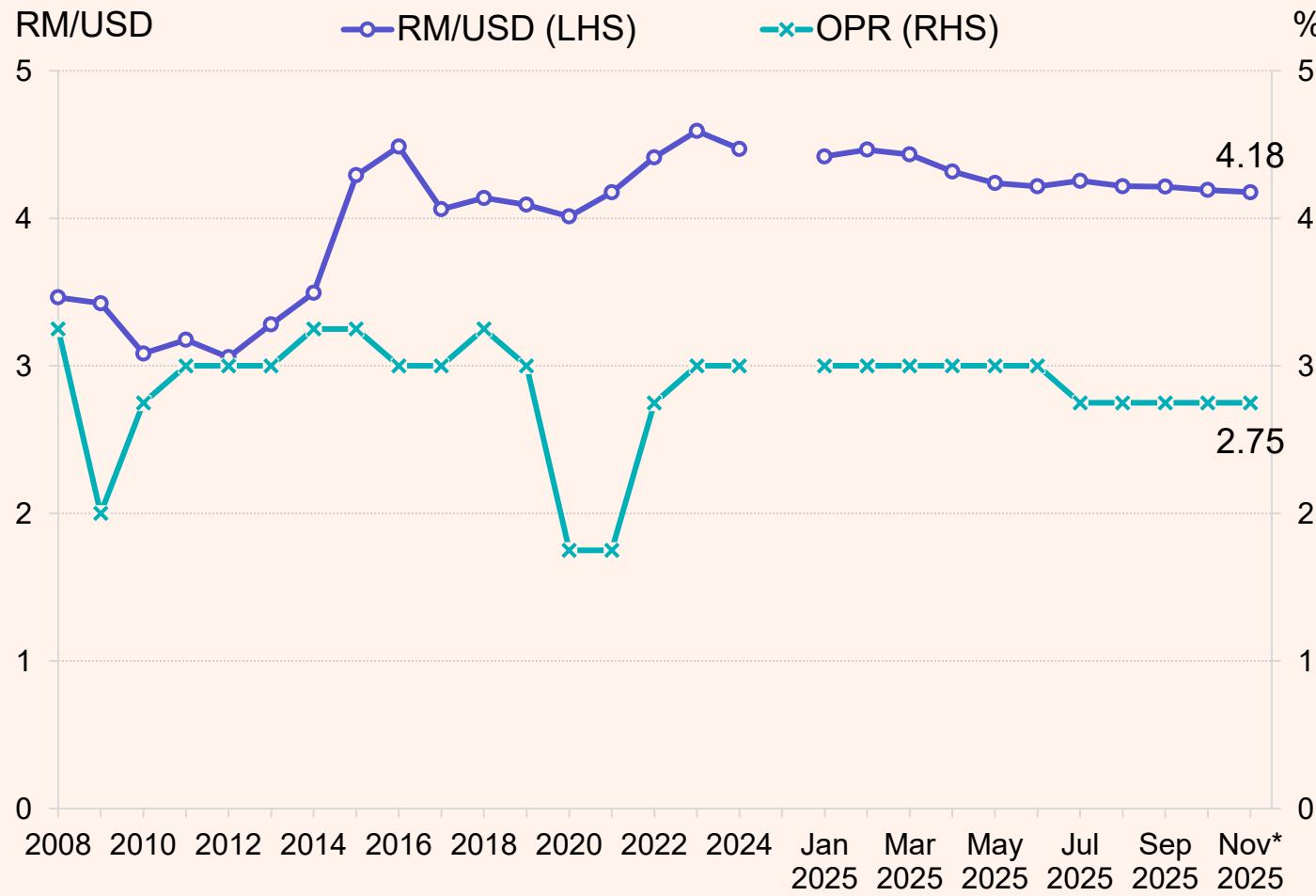


Source: DOSM

The Malaysian ringgit performance

RM/USD vs. BNM OPR

End-Period, Yearly (2008-2024), Monthly (2025)



* 18 Nov 2025

Source: BNM

- The ringgit has appreciated 7.0% year-to-date (18 Nov 2025) against the US dollar, outperforming regional peers.
- **Steady economic fundamentals** – positive economic growth, transformative plans, and continued reforms to rein in fiscal deficit and debt.
- **Sustained inflows of FDI**, while foreign purchases of bonds inflows more than offset net outflows of equities.
- **Sovereign ratings reaffirmed**. S&P Global Ratings at 'A-', Moody's at 'A3', and Fitch Ratings at 'BBB+'. All three have a "Stable" outlook.
- **Strong accumulation of foreign reserves**. BNM's international reserves stood at USD 123.8 billion as of 31 October 2025, sufficient to cover 4.8 months of imports and 0.9 times short-term external debt, bolstering confidence in the ringgit and supporting its near-term strength.

Malaysia can buffer against external shocks



Malaysia is in a position of strength to face headwinds.

Still sound economic and financial fundamentals supported by facilitative policies and accommodative monetary policy.



A well-diversified economic sector, markets, products and sources of foreign direct investments.

Reduce **vulnerability and risks** inflicted by a particular sector and industry, as well as a country.



* **Gradual fiscal consolidation path continues to build fiscal buffers.**

Prudent and targeted fiscal policy to strengthen domestic resilience, protect the vulnerable group.



The financial sector is well-capitalised.

As at end-2024, **banks' liquidity buffers** exceeded regulatory levels with strong loan quality (aggregate non-performing loans (NPLs) at 1.4% of gross loans) and sizeable provisions (91.4% of total impaired loans). **Liquidity coverage ratio** (LCR) is well-above the required level (100% starting 2019) at 160%.



A flexible exchange rate is essential to continue to play the role of shock absorber and remains the first line of defence against external shocks.

This is backed by **adequate international reserves** (USD123.8 billion at end-Oct 2025) and **sustained current account surplus**, albeit smaller.

Conclusion



- 1 The dynamics of **TRADE POLICIES, GEOECONOMIC TENSIONS, CAPITAL FLOWS, AND CURRENCY MOVEMENTS** remain key influences on economic and business growth.
- 2 Government, companies, and households must **CHANGE HOW THEY THINK, ACT, AND PLAN.**
- 3 The Government has calibrated policy responses aimed at **BUFFERING NEAR-TERM DOWNSIDE RISKS** while **SUPPORTING MEDIUM-TERM ECONOMIC RESILIENCE.**



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