

Bank Negara Malaysia Publishes Annual Report 2023, Economic and Monetary Review 2023 and Financial Stability Review for Second Half 2023

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Bank Negara Malaysia (BNM) today published its Annual Report 2023 (AR 2023), Economic and Monetary Review 2023 (EMR 2023) and Financial Stability Review for Second Half 2023 (FSR 2H 2023).

Annual Report 2023

The AR 2023 details BNM's key initiatives in fulfilling its mandates to promote monetary and financial stability conducive to the sustainable growth of the Malaysian economy in 2023. It also provides an account of BNM's operations and resources that enable it to function effectively and efficiently.

Highlights of AR 2023:

- The Malaysian economy continued to show strength and resilience in 2023. Despite the challenging external environment, GDP grew by 3.7%. Amidst the slowdown in global economy and inflationary pressures domestically, BNM considered and managed the complex policy trade-offs and interdependencies between inflation, growth, and preserving confidence in the ringgit.
- BNM's efforts to ensure financial intermediation activities support the economic reform agenda with particular focus on micro, small and medium enterprises (MSMEs), by improving the features of our special funds and scaling up social finance initiatives.
- Efforts to advance value-based intermediation and promote solutions by the Islamic finance industry to meet the demand for green and sustainable finance.
- BNM continued its efforts to enhance climate resilience and manage climate-related risks within the financial sector. These efforts aimed to support financial institutions and the real sector transition to a greener economy, in line with national policies and strategies. BNM also continue to make progress in integrating climate-related risk into prudential regulation and supervision.
- Combatting online financial fraud remained a key focus. BNM worked closely with the financial industry and law enforcement agencies to improve fund tracing, disrupt fraudulent fund flows and raise awareness on the latest scam tactics and prevention tips.
- BNM launched the Financial Inclusion Framework 2023-2026 which outlines strategies to close the remaining gaps in access to quality and affordable financial services for all.
- Key regulatory and supervisory programmes were put in place to further strengthen the ability of financial system to withstand shocks. We enhanced market conduct requirements for financial institutions to reinforce their responsibilities to safeguard consumer interests, especially when dealing with vulnerable consumers. BNM is also increasing the financial sector's preparedness to face crises through recovery and resolution planning, and simulation exercises.

Eight articles are featured in the AR 2023:

- DuitNow QR: Fostering Inclusive Digital Payments
- iTEKAD: An Ecosystem Approach in Scaling Up Social Finance
- Realising the Value-based Intermediation Vision (VBI): Five Years After Introduction
- Personalising Financial Services: Promoting Fair Treatment of Vulnerable Consumers
- Supporting SMEs Transition to Greener Practices
- BNM's Enforcement Approach and Disclosures of Enforcement Actions
- Behind the Scenes of Bank Negara Malaysia's Monetary Policymaking
- Promoting Cross-border Local Currency Settlement (LCS)

The AR 2023 also sets out BNM's Audited Financial Statements for the financial year ended 31 December 2023. As audited and certified by the Auditor General, the financial position of BNM remained stable in 2023. BNM's total assets amounted to RM631.26 billion as at 31 December 2023. A net profit after tax of RM7.16 billion was recorded for the financial year, of which RM4.31 billion has been transferred into BNM's Risk Reserve. BNM has declared a dividend of RM2.85 billion to the Government for the financial year 2023.

Economic and Monetary Review 2023

The Economic and Monetary Review sets out BNM's economic assessments and forecasts.

Highlights of EMR 2023:

- The Malaysian economy is projected to grow between 4% and 5% in 2024. This will be supported by the resilient domestic demand and improvement in external demand.
- Headline inflation is expected to average between 2% and 3.5% in 2024 amid contained cost pressures from easing global supply conditions. Inflation outlook remains highly subject to upside risks due to potential price adjustments on food and energy items, as well as external pressures from exchange rate and global commodity price developments.
- Domestic monetary and financial conditions remain conducive of financial intermediation. Credit supply will be supported by continued willingness of financial institutions to lend amid a strong banking system and a healthy capital market. In addition, the improving economic and labour market conditions will support credit demand.
- BNM's monetary policy will continue to be forward-looking with a focus on the trajectory of growth and inflation.
- Given Malaysia's strong fundamentals and positive growth prospects, the current ringgit level is undervalued.
- Following this and beyond conducting foreign exchange operations, BNM has been actively engaging with government-linked companies (GLCs) and government-linked investment companies (GLICs) to encourage more consistent repatriation and conversion of their foreign investment income into ringgit. At the same time, BNM is closely monitoring the trends of foreign currency holdings by Malaysian corporates, exporters and importers. These actions are contributing to positive outcomes. BNM has seen increased flows and market interest in buying the ringgit.
- Looking ahead, financial markets expect the ringgit to appreciate further into 2024 and continue on an appreciating trend as the effects of global factors subside. Some analysts have projected further into 2025 and assess the ringgit to continue strengthening.

The EMR 2023 features four box articles:

- Underlying Inflation at its Core
- Navigating Economic Cycles: Interactions between Monetary and Fiscal Policy
- The Case for Labour Market Reforms in Malaysia: Challenges and Opportunities
- The Ringgit in Perspective

Financial Stability Review for Second Half 2023

The Financial Stability Review is a biannual publication which details BNM's assessment of domestic financial stability risks and outlook.

Highlights of FSR 2H 2023:

- Despite global volatility, domestic financial markets remain orderly with continuous intermediation of two-way flows in the bond and equity markets.
- The overall debt-servicing ability of businesses and households remains healthy. Evolving loan performance trends are within banks' expectations.
- Latest stress tests conducted by BNM affirm the resilience of financial institutions against unexpected losses from severe macroeconomic and financial shocks. This will continue to support financial institutions' ability to fulfil financing and protection needs of household and businesses.
- Strengthening operational and cyber resilience remains a top priority for BNM and financial institutions. BNM continues to require financial institutions to adopt strong cyber hygiene standards. BNM has also taken steps to strengthen collaboration with local and international counterparts through more timely sharing of cyber threat intelligence.

Four articles are featured in the FSR 2H 2023:

- Progress in Strengthening Climate Risk Management Practices
- Contagion Risk from Non-Bank Financial Institutions' (NBFI) Activity
- The Imperatives for Strengthened Regulation and Supervision of Liquidity Risk in Malaysia
- Floods and Finance: Building Resilience of Malaysian Businesses

Bank Negara Malaysia Governor Datuk Abdul Rasheed Ghaffour said, "Our prospects are good. We have reason to cautiously anticipate a better year ahead. There is also a favourable window of opportunity to implement crucial structural reforms. By taking decisive and collective actions, we can capitalise on Malaysia's robust and resilient economic rebound post-COVID and lay the path for sustained growth and prosperity. While there may be challenges during this transition, these reforms are investments in our future towards prosperity of our *rakyat* and the nation."

For more details of the publications, please visit www.bnm.gov.my/AR2023