



BNM ANNUAL REPORT 2024, ECONOMIC AND MONETARY REVIEW 2024 AND FINANCIAL STABILITY REVIEW 2H 2024

21 April 2025 (Mon)
Conference Hall 2, Sasana Kijang
Bank Negara Malaysia

Event Overview



FIDE FORUM, in collaboration with Bank Negara Malaysia (BNM), hosted its annual engagement session to provide the financial industry's board leadership with a comprehensive update on Malaysia's economic outlook, financial stability, and monetary policy direction. Held at Sasana Kijang, this session coincided with the release of three key publications:

- BNM Annual Report 2024
- Economic and Monetary Review 2024
- Financial Stability Review (Second Half 2024)

The event was attended by 128 directors and senior executives from financial institutions, regulators, and industry stakeholders

Welcoming Remarks

Dato' Kamaluddin Taib, Chairman of FIDE FORUM, delivered the opening address. He highlighted:

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- Appreciation to BNM for its commitment to transparency and engagement with industry stakeholders.
 - A brief recap of key economic developments and structural reforms undertaken in the past year.
 - Encouragement to participants to leverage this session to enhance board deliberations and decision-making.

Topic Discussion

Key Presentations by Bank Negara Malaysia

The presentations delivered by Deputy Governor Encik Aznan Abdul Aziz, along with Assistant Governors Encik Suhaimi Ali and Puan Cindy Sia Hui Hun of Bank Negara Malaysia, provided an in-depth and forward-looking review of Malaysia's economic performance, financial stability, monetary policy, and future outlook amidst a volatile global landscape. Their comprehensive insights covered key indicators, fiscal responses, structural reforms, and strategic priorities to sustain growth and resilience in the Malaysian financial system.

A. Economic Performance and Outlook

Deputy Governor Encik Aznan Abdul Aziz opened the presentation by providing a robust overview of Malaysia's economic performance in 2024, highlighting a solid GDP growth of approximately 5.3%, primarily driven by strong domestic demand. This growth was supported by three key pillars:

- **Household Spending:** Boosted by rising employment, wage growth, and government policies such as minimum wage adjustments and salary increases. Labor force participation reached a historic high of 73.5%.
- **Investment Activity:** Sustained momentum in investments reflected positive business sentiment, ongoing project rollouts, and better access to financing. Approved investments exceeded RM378 billion.
- **Tourism Recovery:** Tourist arrivals are expected to surpass pre-pandemic levels, supported by initiatives such as visa-free entry and preparations for Visit Malaysia 2026.

Inflation in 2024 is projected to remain within 2.0% to 3.5%, moderated by subsidy reforms and easing global prices. However, income growth—particularly among B40 households—continues to lag behind inflation, exacerbating cost-of-living challenges.





Topic Discussion

Key Presentations by Bank Negara Malaysia

B. Monetary and Financial Stability

Encik Suhaimi Ali, Assistant Governor emphasised the robustness of Malaysia's financial institutions, citing results from BNM's latest stress test. Banks and insurers were found to have sufficient capital buffers even under severe economic shocks.

Other highlights:

- **Basel III Implementation:** BNM confirmed continued implementation due to its risk sensitivity and capital strength benefits.
- **RBC2 (Risk-Based Capital Framework for Insurers):** An exposure draft was issued in 2023. BNM is now reviewing quantitative impact feedback and will engage with industry leaders before finalisation in 2025.
- **Insurance Sector Reforms:** Ongoing work to improve MHIT (Medical and Health Insurance) sustainability and digitalise motor claims processes.

C. Key Challenges and Strategic Initiatives

Assistant Governor Puan Cindy Sia Hui Hun outlined Bank Negara Malaysia's strategic initiatives aimed at strengthening the financial ecosystem and addressing structural economic challenges. Her presentation focused on four key areas:

- **Digital Transformation:** BNM is piloting Project Palau, a Central Bank Digital Currency (CBDC) initiative, and is preparing a discussion paper on asset tokenisation, signaling its commitment to modernise Malaysia's financial infrastructure through safe, forward-looking innovation.
- **Cross-Border Payments (Project Nexus):** In collaboration with ASEAN partners and India, Malaysia is rolling out Project Nexus, a scalable, real-time cross-border payment platform designed to improve cost-efficiency and speed for international transactions.
- **Cybersecurity & Scam Mitigation:** BNM is intensifying coordination with financial institutions, regulators, and telcos to strengthen digital infrastructure, combat online fraud, and enhance consumer protection—especially in response to rising scam-related financial crimes.
- **Value-Based Intermediation (VBI):** BNM is expanding the principles of VBI—previously rooted in Islamic finance—to the broader financial system, promoting ethical finance, sustainability, and long-term value creation across all institutions.

Her remarks underscored the central bank's proactive stance in driving innovation, managing digital risks, and embedding sustainable values into the financial sector's growth agenda.



Interactive Q&A Session

The subsequent Q&A segment featured active participation, with key discussions including:

1. Impact of Tariffs on Malaysian Exports and SMEs

Question: What is the potential impact of new US tariffs on Malaysian exports, especially for industries like electronics and furniture? How will SMEs be affected?

BNM's Response: BNM acknowledged the concern, stating that while direct SME exposure to the US is relatively low (under 10%), the indirect impact through the supply chain could be more significant. BNM is working with ministries and trade bodies to diversify export markets, strengthen regional partnerships, and monitor downstream effects. Preliminary stress assessments are ongoing, and BNM committed to sharing findings with the industry.

2. Cross-Border Payment Systems (Nexus)

Question: Can BNM share progress on efforts to modernise cross-border payments and reduce reliance on dollar-based systems?

BNM's Response: BNM is advancing a regional real-time payment project called Nexus, connecting Malaysia, Indonesia, and other ASEAN countries. This system will enable near-instant cross-border transactions, improving cost efficiency and reducing friction. India has joined the initiative, with other economies expressing interest. BNM encouraged financial institutions to prepare for onboarding.

Interactive Q&A Session

3. Basel III and Risk-Based Capital Framework (RBC 2)

Question: Will BNM proceed with Basel III implementation given current uncertainties? What's the status of RBC 2?

BNM's Response: BNM reaffirmed commitment to Basel III, citing its risk sensitivity and capital strength benefits. They assured participants that implementation will be phased and calibrated in consultation with the industry. On RBC 2, BNM is currently reviewing quantitative impact studies submitted by insurers and will hold further consultations before finalising the framework by 2025.

4. Inflation, Wage Pressure, and Cost of Living

Question: Does headline inflation reflect real cost pressures? Are B40/M40 households being overlooked?

BNM's Response: BNM acknowledged that headline inflation may not fully capture income erosion faced by lower-income households. They referred to living wage benchmarks and confirmed ongoing work to align wage growth and cost of living through multi-agency coordination. Subsidy reform and minimum wage adjustments were highlighted as key tools.

5. Technological Disruption: AI, Quantum, and DLT

Question: How is BNM approaching transformative technologies like DLT and quantum computing? What guardrails are in place?

BNM's Response: BNM emphasised a technology-neutral but use-case-driven policy stance. They support DLT and tokenisation through the regulatory sandbox and upcoming discussion paper on asset tokenisation. For quantum computing, BNM encourages industry-led standards while ensuring cybersecurity and ethical safeguards remain paramount. The focus is on real-world applications, not speculative use cases.

6. Labour Market, Future Jobs, and Education Reform

Question: Is there alignment between economic policy and the education system to prepare for AI-driven changes in job markets?

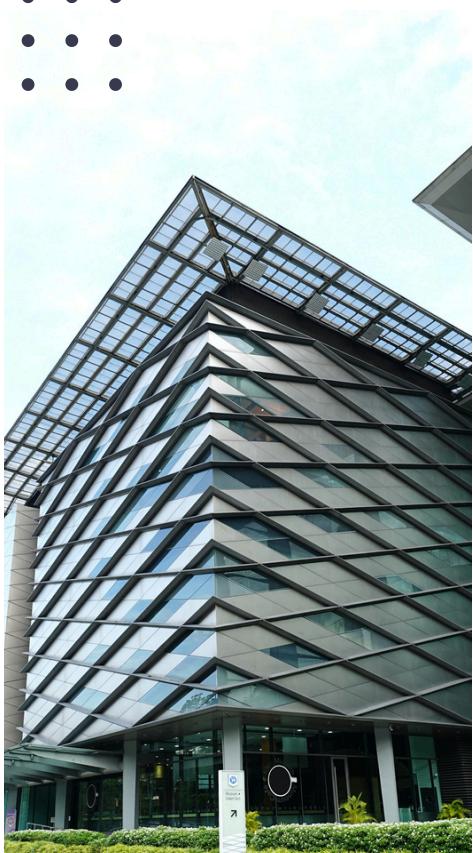
BNM's Response: Yes. BNM is collaborating with government agencies to forecast future job trends, influence curriculum reform, and support reskilling through TVET and university-industry partnerships. The focus is on building a resilient, tech-savvy workforce, particularly in areas like fintech, climate tech, and advanced manufacturing.

Conclusion of Discussions

Overall, the presentations and interactive discussions at the event highlighted Malaysia's resilient economic fundamentals, strategic preparedness for global uncertainties, and proactive approaches to structural reforms. Participants expressed appreciation for the detailed insights provided by BNM, underscoring the session's significant value in clarifying current economic conditions, challenges, and future strategic directions.

FIDE FORUM reaffirmed its commitment to facilitate continuous knowledge-sharing and capacity building for directors to strengthen board governance, resilience, and strategic foresight.





Thank You



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Thank You

