

SUMMARY: BANK NEGARA MALAYSIA (BNM) ANNUAL REPORT 2025

Summary of BNM Annual Report 2025

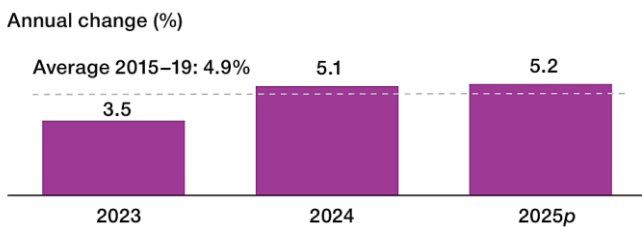
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This summary is prepared based on information from the following Bank Negara Malaysia (BNM) reports:

1. Annual Report 2025
2. Economic and Monetary Review 2025

A. Economic Overview

Malaysia's Real Gross Domestic Product (GDP) Growth



Notes: p - preliminary

Source: Economic and Monetary Review 2025, BNM

The Malaysian economy recorded steady growth of 5.2% in 2025p (2024: 5.1%), demonstrating resilience amid a challenging global environment. Growth was primarily anchored by strong domestic demand, especially steady household spending and investment. In contrast, net exports declined, as imports increased at a faster pace than exports.

B. Domestic Demand Dynamics

Private Consumption

Private consumption **expanded by 5.2%** (2024: 5.1%), underpinned by:

- Favourable labour market conditions, supported by rising employment and steady wage growth.
- Income support measures, particularly the expanded cash assistance programmes such as *Sumbangan Tunai Rahmah (STR)* and *Sumbangan Asas Rahmah (SARA)*.

Public Consumption

Public consumption **increased by 6.6%** (2024: 4.7%), driven by:

- Higher Government operating expenditure.
- Civil service salary adjustments.
- Activities related to ASEAN Malaysia Chairmanship 2025.

Investment Activity

Gross fixed capital formation **grew strongly by 9.6%** (2024: 12%), reflecting continued investment momentum driven by growth in both structures and machinery and equipment.

• **Private Investment (Percentage growth: +9.4%)**

The increase was driven by ongoing multi-year projects and expansion in high-technology sectors such as ICT and electrical and electronics (E&E).

• **Public Investment (+10.3%)**

Sustained by renewable energy initiatives and large-scale infrastructure projects, including East Coast Rail Link (ECRL), Pan Borneo Highway Sabah, Johor Bahru–Singapore RTS Link and Sarawak–Sabah Link Road (SSLR).

C. Sectoral Performance

Economic expansion was broad-based, with all major sectors recording positive growth.

Real GDP by Kind of Economic Activity (2015=100)

Sectors	2025p	2024	2025p
	% of GDP	Annual change (%)	
Services	59.6	5.3	5.5
Manufacturing	23.0	4.2	4.5
Agriculture	6.1	3.1	2.2
Mining and quarrying	5.7	0.9	0.7
Construction	4.3	17.5	12.2
Real GDP	100.0*	5.1	5.2

Notes:

1. p – preliminary
2. *Figures may not necessarily add up due to rounding and exclusion of import duties component

Source: Economic and Monetary Review 2025, BNM

Construction Sector (+12.2%)

The fastest-growing sector, driven by infrastructure and non-residential developments, alongside expansion in data centres and renewable energy projects, supported by the implementation of the National Energy Transition Roadmap (NETR).

Services Sector (+5.5%)

Growth was driven by consumer-related activities, tourism recovery and increased Government spending, while the finance and insurance subsectors recorded more moderate performance.

Manufacturing Sector (+4.5%)

The increase was supported by both export- and domestic-oriented industries, led by the E&E segment, particularly demand linked to data centres and artificial intelligence (AI) technologies. However, overall performance was partially offset by weaker petrochemical exports.

Agriculture Sector (+2.2%)

The sector was driven by higher oil palm yields and expansion in the food subsector, although declines in rubber and forestry limited overall performance.

Mining Sector (+0.7%)

Marginal growth was supported by a recovery in oil and gas production, particularly in Sarawak and Sabah, following earlier disruptions.

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D. Labour Market Conditions

Labour market conditions remained supportive of growth, with improvements across key indicators:

- Employment expanded by 3.1% (2024: 2.6%)
- Unemployment rate declined to 3.0% (2024: 3.2%)
- Labour force participation rate increased to 70.8% (2024: 70.5%)

Employment gains were concentrated in the services sector, alongside a notable rise in own-account workers, reflecting the expansion of the gig economy.

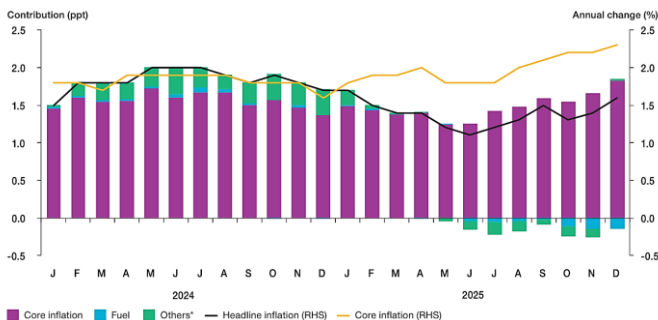
Despite improvements in headline indicators, labour market slack remained evident due to declining job vacancies and persistent challenges in matching labour demand with supply.

Wages and Productivity

- Wage growth strengthened in 2025, driven by higher **public sector wages, which rose by 7.8%** (2024: 4.9%), and moderate increases in the **private sector, which grew by 3.6%** (2024: 2.9%).
- Labour productivity **increased to 3.4%** (2024: 2.4%), with broad-based gains across sectors, including Services at 3.1% (2024: 1.8%) and Manufacturing at 3.7% (2024: 2.6%). However, growth in Construction moderated to 11.2% (2024: 16.4%).

E. Inflation Trends

Contribution to Headline Inflation by Components



Notes:

1. *Others include price-volatile items and other price-administered items (excluding fuel)
2. Headline inflation - the annual price increase for a basket of items that are commonly consumed by an average household. For Malaysia, headline inflation is computed based on the Consumer Price Index (CPI) basket
3. Core inflation - computed by excluding price-volatile and price administered items
4. ppt - percentage points

Source: Economic and Monetary Review 2025, BNM

Inflationary pressures eased further in 2025:

- Headline inflation moderated further to 1.4% in 2025 (2024: 1.8%)
- Core inflation edged up slightly to 2.0% (2024: 1.8%)

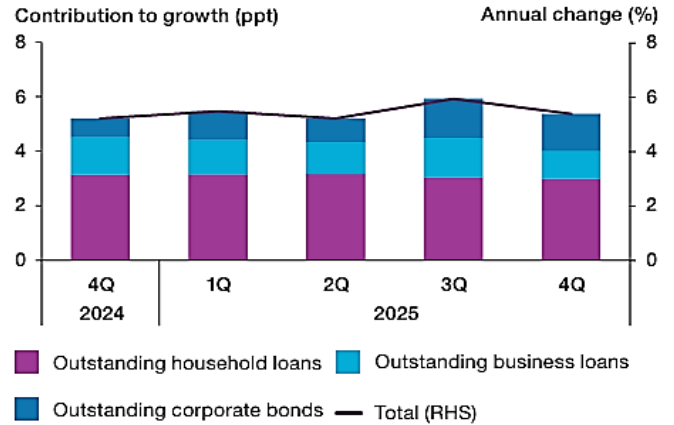
Key drivers of lower headline inflation include:

- Declining global commodity and energy prices
- Improved supply chain conditions
- Easing production costs, supported by a stronger ringgit

Core inflation increased mainly due to higher prices in services, especially dining out and rental, as domestic demand remained strong.

F. Credit and Financing Developments

Credit to the Private Non-Financial Sector



Note: ppt - percentage points

Source: Economic and Monetary Review 2025, BNM

Credit to the private non-financial sector **grew moderately by 5.4% in 2025** (2024: 5.2%), driven mainly by 5.0% loan growth, while corporate bond growth accelerated to 6.9%.

Household Loans (+5.6%)

Driven by demand for housing and vehicle financing, alongside positive labour market conditions and policy support.

Business Loans (+3.9%)

Moderated due to slower working capital borrowing among large firms.

Financing continued to support small and medium enterprises (SMEs) and investment-related activities, particularly in sectors such as E&E, real estate and construction, underpinned by policy initiatives including:

- New Industrial Master Plan (NIMP)
- National Energy Transition Roadmap (NETR)

Household Debt (84.8%, debt-to-GDP ratio)

Although debt growth has slowed post Covid-19, the household debt to GDP ratio remains high at 84.8% (2024: 84.1%, 2019: 82.8%), suggesting that debt-servicing burdens remains a factor weighing on private consumption growth.

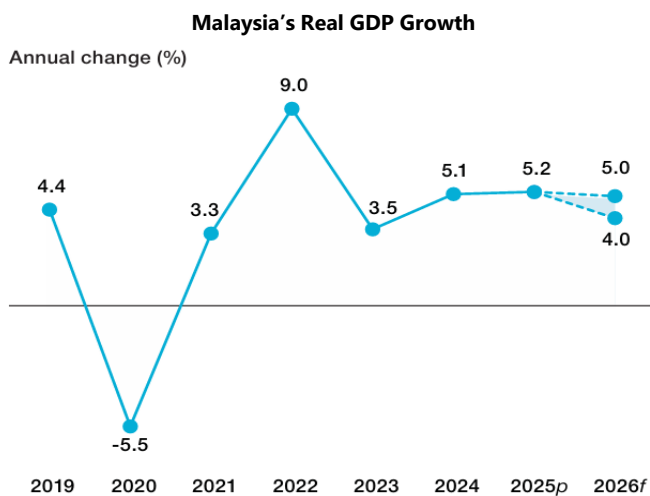
Overall, Malaysia's economy in 2025 remained resilient, supported by strong domestic demand, particularly construction and investment. Growth was broad-based, led by construction and services, while manufacturing benefited from high-technology demand. Labour market conditions improved, inflation remained contained, and financial conditions stayed supportive despite external uncertainties.

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G. Market Outlook in 2026

The global economy is expected to grow at a more moderate pace of around 2.7% to 3.2% in 2026 (2025: 3.4%), supported by resilient domestic demand and continued investment in technology and AI, while monetary easing and fiscal support are expected to provide additional momentum to economic activity. However, growth faces downside risks from higher tariffs, policy uncertainty and geopolitical tensions in the Middle East.

Malaysia's economy is expected to expand between 4% and 5% in 2026, driven mainly by strong domestic demand and steady private consumption.



- Notes:
1. p - preliminary
 2. f - forecast

Source: Economic and Monetary Review 2025, BNM

Labour market conditions are projected to stay firm, supported by continued job growth and lower unemployment, which will sustain household incomes and spending.

Private consumption will be supported by income growth, civil servant salary adjustments and fiscal measures under Budget 2026, particularly for lower-income groups.

Investment activity is expected to continue expanding, though at a more moderate pace, backed by ongoing project implementation and strong economic fundamentals.

Investor confidence is likely to remain stable, supported by Malaysia's strong production ecosystem and policy support, helping to cushion external risks such as global trade pressures.

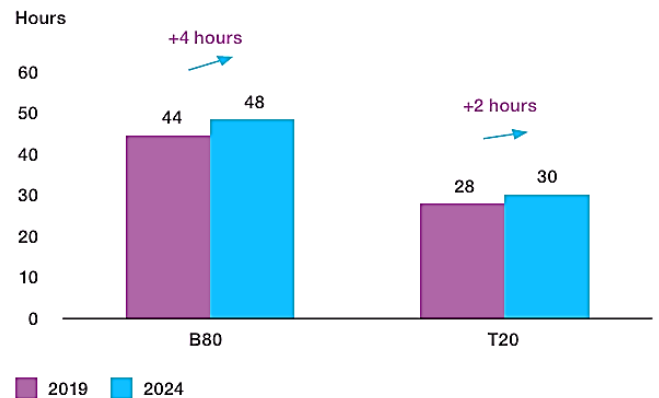
Growth will also be supported by strong demand for AI-related technologies and continued digitalisation, especially in the E&E and ICT sectors.

Headline inflation is expected to remain moderate at between 1.5% to 2.5% in 2026. Despite potential volatility in global commodity prices, a stronger exchange rate and domestic policy measures are expected to help contain cost pressures, keeping overall inflation relatively stable.

H. Selected Article by BNM:

Purchasing Power Depends on Prices, as Well as Wages

Working Hours Needed to Afford Monthly Food Expenditure*



Notes:

1. *Based on gross median income and average spending on food, with the assumption of nine working hours per day and five working days per week
2. B80 group comprises both the B40 and M40 income groups

Source: Annual Report 2025, BNM

Households' purchasing power depends not only on prices but also on how much they earn. When prices increase slowly and steadily, people can cope better as long as their wages also increase. This allows households to adjust their spending and manage higher costs more easily.

Recent developments in Malaysia reflect this relationship. In 2025, prices rose by 1.4%, while nominal wages per worker increased slightly faster at 1.7%, supported by policy measures and steady economic activity.

However, a longer-term perspective highlights ongoing challenges. Between 2019 and 2024, headline Consumer Price Index (CPI) increased by 9.3%, outpacing nominal wage growth of 7.2%. This implies that households need to work more to afford the same basket of goods.

Based on the graph above, B80 households need to work longer than T20 households to afford typical food consumption. B40 households spend a larger share of income on food (30%), compared with M40 (22%) and T20 (16%).

To address these pressures, BNM highlights that while measures such as minimum wage revisions have provided short-term relief, long-term improvements depend on structural reforms. These include creating more high-skilled jobs, upgrading industries and strengthening technology and Research & Development (R&D) adoption.

Initiatives such as National Industrial Masterplan (NIMP2030) and National Investment Aspirations (NIA) aim to attract higher-quality investments and create skilled jobs, while improvements in education, training and upskilling are essential to reduce skill mismatches.