

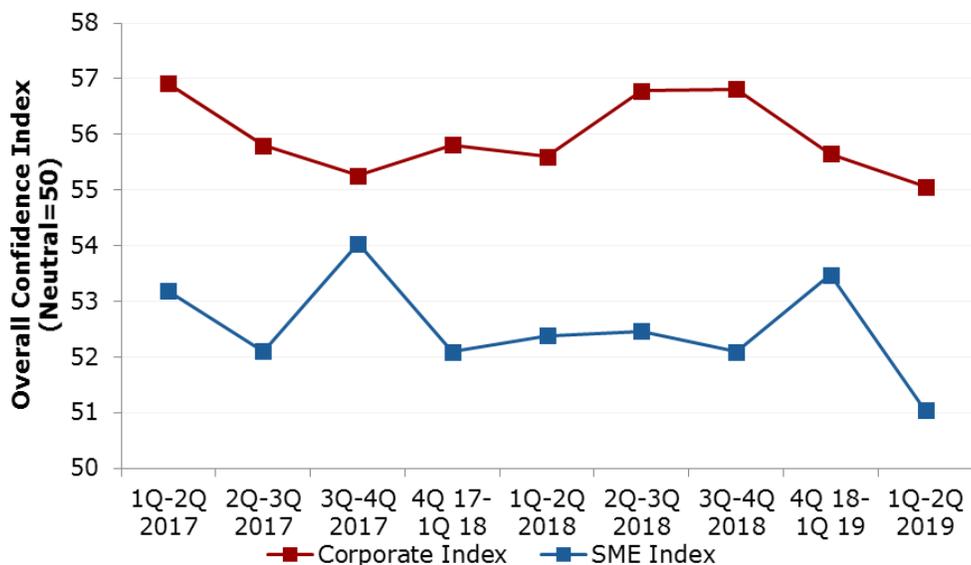


Media Release

RAM Business Confidence Index: Weaker business sentiment on 1H 2019 amid more challenging economic landscape

Heading into 2019, the RAM Business Confidence Index (RAM BCI) polled weaker sentiment on the next six months among the 3,500 firms surveyed in Malaysia. The 1Q-2Q 2019 Corporate and SME Indices fell to a respective 55.1 and 51.0. These indices are at their lowest level since the inception of the RAM BCI two years ago (Figure 1). While an index value of above 50 still denotes positive sentiment, the current downtrend suggests that businesses have a less upbeat outlook on 2019.

Figure 1: RAM BCI overall index values

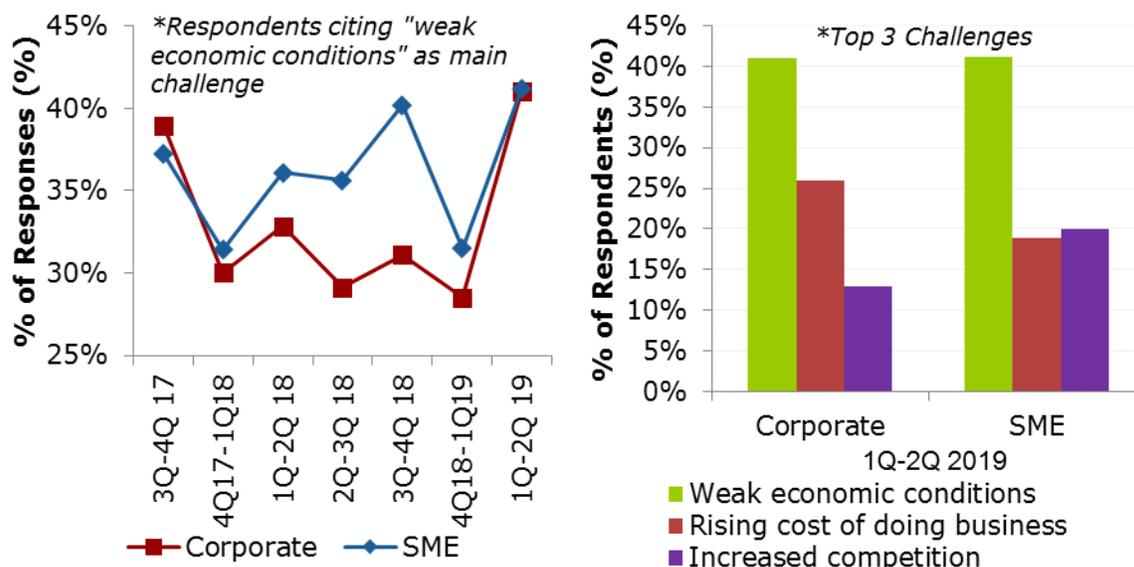


Source: RAM BCI

More challenging economic environment in 2019

One of the key factors driving firms' sentiment on 2019 is the weak economic prospects over the next six months. The number of firms citing "weak economic conditions" as their main challenge within this period spiked up to 41.0% and 41.2% of the overall firms surveyed in their respective segments; this is also the most frequently cited challenge for both segments (Figure 2). Decelerating domestic growth, uncertain global demand and investment activities as well as a lack of positive catalysts, including the relatively neutral Budget 2019, all play a part in the generally weaker business sentiment on the next six months.

Figure 2: Notably greater concern over weak economic conditions



Sources: RAM BCI

Construction sector least bullish

The construction sector was the least bullish among both Corporates and SMEs. The SME construction sector was the only one with a negative sentiment reading (at 49.7) while the index level for Corporate counterpart declined for the third consecutive time to 53.0. Without any new growth catalyst amid the overhang in the property segment, plus the shelving of new big-ticket infrastructure projects, it is not surprising that the construction sub-indices have hit record lows. Another sector that displayed pessimism in the 1Q-2Q 2019 survey is SME retail; this sector's performance outlook slipped back into negative territory after a brief expansionary momentum that had been aided by the tax-free window from June to August 2018. Faced with uncertain global and domestic economic prospects, consumers are once again more prudent with their spending, leading to weaker sentiment on retail consumption in 2019.

Dampened capacity-building intentions

Amid weaker prospects, firms are also holding back on capacity building. The sub-indices that track Corporate business expansion, capital investment and hiring have fallen to their lowest levels since the inception of the RAM BCI, after having declined in three consecutive surveys. Likewise, the capacity-building sub-indices for SMEs also pulled back from the last survey and remain below those of Corporates.

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All said, firms' expressed reticence on capacity building remains the most prominent downside risk, as it could weigh on the momentum of economic growth in 2019 and potential economic output over the longer run. This is particularly true in respect of SMEs, which are more vulnerable and sensitive to immediate economic challenges. That said, more guidance on future economic policies that will shape the overall business environment will be crucial to building business confidence among firms, potentially being the game changer for a more resilient growth trajectory this year.

The RAM Business Confidence Index is a comprehensive survey jointly conducted by RAM Holdings Berhad and RAM Credit Information Sdn Bhd, on business sentiment in Malaysia. Released quarterly, the index is based on data from a survey of close to 3,500 SMEs and Corporates across 5 main industry segments respectively. The index, designed to measure forward-looking expectations, offers a timely barometer of future economic activity to guide businesses' investment decisions and planning as well as provide inputs for strategic policymaking by various stakeholders of the economy. This is done through the indication of positive and negative sentiment on 7 key aspects that are pertinent to their business operations over the next 6 months. The 7 business aspects surveyed are turnover, profitability, business expansion, hiring, capital investment, capacity utilisation and access to bank financing. An index value of 50 is the neutral benchmark while a value above 50 indicates positive sentiment by the firm; below 50 shows negative sentiment.

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Date of release: 7 January 2019

About RAM Holdings Berhad

RAM Holdings is a leading provider of independent credit research and advisory services. RAM Holdings (formerly known as Rating Agency Malaysia Berhad) was established in November 1990 as a catalyst for the domestic debt-capital market and as the nation's first credit-rating agency. Its shareholders comprise both local and foreign financial institutions. On 1 July 2007, the rating operations were novated to a newly formed subsidiary, RAM Rating Services Berhad (or RAM Ratings). Today, RAM Holdings spearheads the cultivation of new businesses and continues to provide training as well as economic research that promotes financial and credit expertise, in addition to soft skills. For more information, log on to www.ram.com.my

About RAM Credit Information Sdn Bhd

RAM Credit Information Sdn Bhd (RAMCI) is Malaysia's leading and trusted credit and business information bureaus and has a comprehensive database that has been built over the past 25 years. The vast majority of RAMCI's clients are financial institutions, large multinationals, professional firms as well as business corporations, to whom it provides various products that assist them in making critical business and credit decisions. It also collaborates with associations and cooperatives to serve their members. RAMCI's core capabilities include online credit information, credit rating and credit scoring services, monitoring and international information services and trade bureau services. For more information, log on to www.ramcreditinfo.com.my

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