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RAM Business Confidence Index provides forward look on actual investment trends

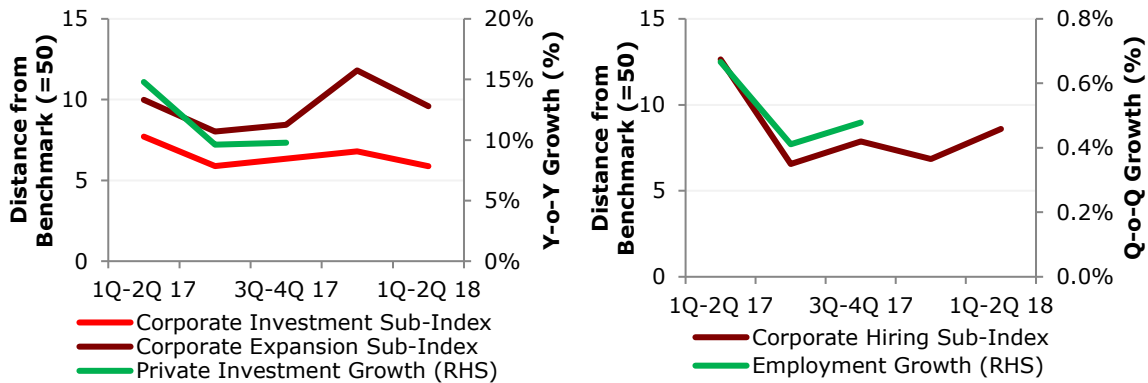
Consistent positive outlook for businesses in Malaysia for 1Q-2Q 2018

Kuala Lumpur, 11 January 2018 - One year since the release of the inaugural **RAM Business Confidence Index (RAM BCI)**, the quarterly business index jointly conducted by RAM Holdings Berhad and RAM Credit Information Sdn Bhd (RAMCI), released findings from its fifth survey today, highlighting business sentiment in Malaysia for 1Q-2Q 2018.

A strong leading indicator of actual investment and employment trends

Over the course of one year of tracking business sentiments, the findings of the RAM BCI - particularly the forward-looking corporate sentiments on capital investment, business expansion and hiring - have been corroborated by actual trends on the ground (refer to Figure 1).

Figure 1: Resilient optimism to support investment and hiring growth in 2018



Source: RAM Business Confidence Index, Department of Statistics Malaysia (DoSM)

The Group CEO of RAM Holdings Bhd, YBhg Datuk Seri Dr Govindan said "With one year of tracking business sentiment, the RAM Business Confidence Index (BCI) has proven it is technically strong and capable of providing reliable leading indicators on investment and employment growth. The survey findings are very current and can help us understand where the economy is heading in the immediate months ahead. The survey findings also provide valuable insights for policy makers by identifying pertinent sector specific issues, notably that faced by SMEs".



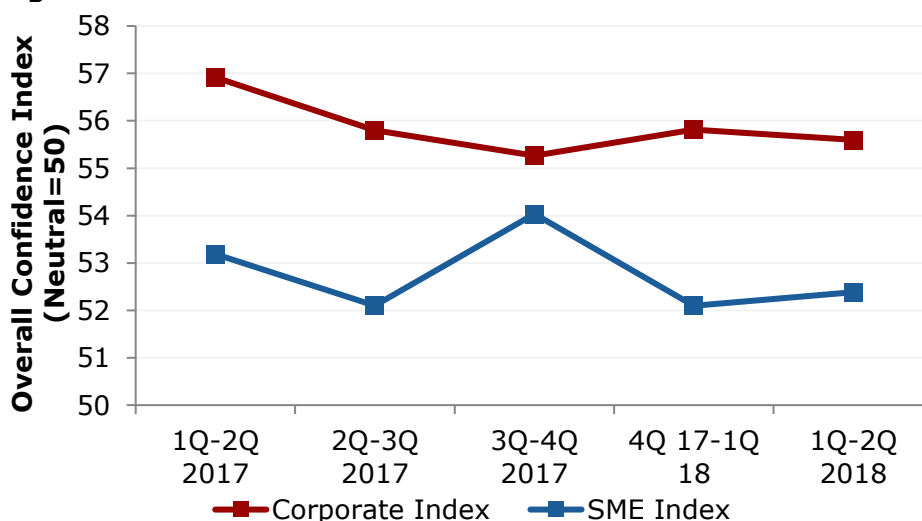
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“Based on the 6-months outlook from the survey, the overall positive readings of the BCI across the Corporates and SMEs suggest that Malaysia’s economic momentum remains on track. This is especially so as capacity building activities (business expansion and capital investment) and hiring intentions continue to stand out as the most positive aspects. This optimism among Malaysian firms corresponds to the overall positive view on global economic growth for 2018. The BCI results indicate that private investment activities would remain resilient heading into 2018, while the slight uptrend in the Corporate Hiring Sub-Index suggests more hiring and capacity building in 2018. However, the slight downside prospects in business performance among SMEs indicate the need for continued close engagement with SMEs to help these firms to gain better access to funding and to raise their participation in international trade”, he continued.

Business confidence remains upbeat for 1Q-2Q 2018

Findings from the fifth RAM BCI indicated consistent positive sentiment readings in both Corporates and SME indices (benchmark=50) of 55.6 and 52.4 respectively for 1Q-2Q 2018 (refer to Figure 2). The result points to some tapering off from the initial index values a year ago, at a time when Malaysia’s economic recovery momentum had just gained traction. From 4.4% in 2H 2016, GDP growth surged to 5.7% in 1H 2017 (2017 expectation: 5.8%). A moderate albeit robust GDP growth is anticipated this year at 5.2% supported by strengthening domestic demand and resilient external markets, as indicated by the latest positive results.

Figure 2: RAM BCI overall index values



Source: RAM Business Confidence Index

Note: 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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Room for improvement in SME business performance

Unlike Corporates, SMEs showed a slight downside in business prospects. In the past one year of the survey, SMEs also expressed higher variations in their turnover and profitability expectations, relative to their consistently sanguine and stable Corporate counterparts. This underscores the advantages in economies of scale, operational flexibility and bargaining power that larger firms benefit from. SMEs have also been observed to face larger issues with revenue collection punctuality and visibility on future contract awards. Constrained by limited resources and the lack of scale, this also explains the lower optimism among SMEs.

These findings suggest that SME agencies and regulatory authorities would need to continue to monitor SMEs' performance closely and increase assistance and engagement to help these firms overcome short-term challenges and uncertainties, if needed.

Overall positive sentiment suggests for a stable economic recovery

The continued overall positive readings of the RAM BCI across both Corporates and SMEs going into 2018 suggest that the economic environment in Malaysia remains sustainable on its current track. This is especially so as capacity building activities (business expansion and capital investment) and hiring intentions continue to stand out as the most positive aspects. Given the longer-term nature of these activities, this highlights firms' optimism towards Malaysia's medium-term outlook.

However, SMEs would need support to realise their optimism into tangible results. SMEs' business expansion often entails diversification into new businesses, moving upstream or downstream or even relocation to improve prospects. Therefore, for SMEs to contribute meaningfully to long-term economic development, it is important for the industry's stakeholders to continue to ensure SMEs' access to funding.

Largest survey sample in the market

"We have seen encouraging responses from Corporates and SMES over the past one year, from under 3,000 respondents during the start of the survey to almost 3,500 in the latest quarter, which has enabled us to produce the most comprehensive survey in the market," said **Dawn Lai, Chief Executive Officer of RAM Credit Information Sdn Bhd.**

Commenting further on the survey, Ms Lai also said that the index results can be used by policymakers to better understand the challenges faced by Corporates and SMEs. The index cuts across five main industry segments and measures sentiments on seven



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key aspects of business. The seven aspects are turnover, profitability, business expansion, hiring, capital investment, capacity utilisation and access to bank financing.

For SMEs, the five industry sectors are Retail, Construction, Business Services, Transport & Storage and Manufacturing while for Corporates, they cover Manufacturing, Construction, Wholesale, Agriculture & Mining and Transport & Storage sectors.

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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 ("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) has established itself among Malaysia's leading and trusted credit and business information bureaus in recent decades and has a comprehensive database that has been built over the past 25 years. Today, RAMCI's institutional partners such as RAM Holdings Berhad and Experian Asia Pacific have availed the company to extensive domain knowledge to serve both businesses and consumers in Malaysia and globally through its comprehensive array of services. It also collaborates with associations and cooperatives to



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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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