



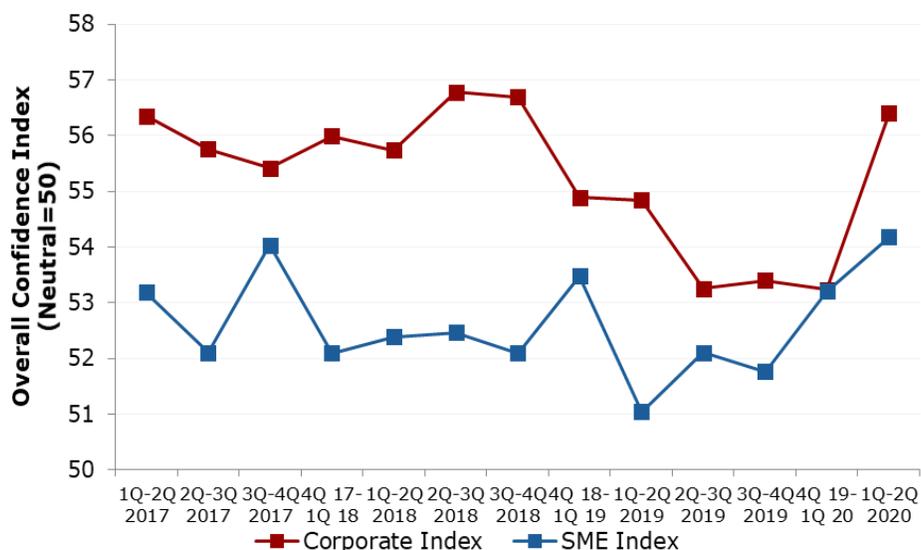
## Media Release

### RAM Business Confidence Index suggests negative sentiment bottoming out

The latest RAM Business Confidence Index (RAM BCI) suggests a possible bottoming out of negative sentiment among Malaysian businesses. The Corporate Index finally bucked the downtrend of the last few quarters to rise 3.2 points to 56.4 while the SME Index rose for the second consecutive time to 54.2 for 1Q-2Q 2020. The upturn in both indices is underpinned by broad-based improvements in the measured aspects and appear particularly strong in business performance indicators.

The higher optimism follows consecutive quarters of weak business sentiment throughout 2019 amid a plethora of global uncertainties. Although the majority of firms still cite “weak economic conditions” as their main challenge through the next six months (41.3% of Corporates and 42.5% of SMEs), the percentage of firms that expressed this was lower than the all-time highs of 45.6% and 44.8%, respectively, in the preceding quarterly survey. This suggests slightly better business prospects heading into 2020. That said, the operating landscape is expected to remain bumpy, with a higher proportion of firms expecting “more competition” as their main challenge (Corporates: 20.8%; SMEs: 24.7%) in 1Q-2Q 2020.

**Figure 1: Greater optimism in 1Q-2Q 2020 attributable to higher business performance expectations by both Corporates and SMEs**

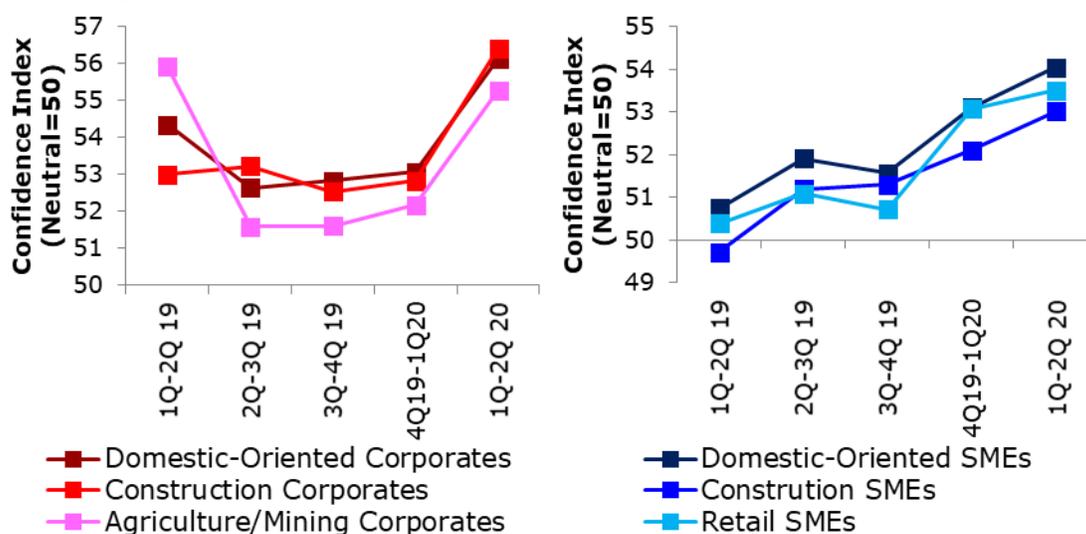


Source: RAM BCI

## Resilience of domestic-oriented firms to anchor sustainable economic growth

The more upbeat overall sentiment on 1Q-2Q 2020 is stronger among export-oriented firms (Corporates: +4.6 points; SMEs: +1.6 points) compared to their domestic-oriented counterparts (Corporates: +3.0 points; SMEs: +0.9 points). However, domestic-centric firms appear to be more stable economic drivers as the volatile external environment have caused big swings in export-oriented firms' business performance expectations in the past. The respective overall indices for domestic-oriented Corporates and SMEs trended upwards for the third and second consecutive times in the latest survey, highlighting their underlying resilience despite lingering global uncertainties.

**Figure 2: Sentiment of domestic-oriented firms still resilient despite volatile external environment**



Source: RAM BCI

Among the domestic-oriented sectors, the construction industry shows a consistently positive momentum in sentiment. The overall Corporate construction index charted one of its biggest jumps to date, surging 3.6 points to 56.4. This is reflective of the anticipated revival of mega infrastructure projects in 2020. Another domestic-oriented sector that exhibits a resiliently positive pace in sentiment is the retail sector, the index of which climbed up to the highest level on record of 53.5. The retail sector's turnover and profitability sub-indices, which have been rising in the last four surveys, also indicate a promising turnaround after having languished below the neutral 50 mark through the first three quarters of 2019.

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All said, domestic demand will keep anchoring business activity in 2020. Coupled with firms' greater optimism, this augurs well for the sustainability of Malaysia's economic growth as we enter a new decade.

*The RAM Business Confidence Index is a comprehensive survey jointly conducted by RAM Holdings Berhad and Experian Information Services (Malaysia) Sdn Bhd, on business sentiment in Malaysia. Released quarterly, the index is based on a survey of approximately 2,000 SMEs and Corporates across five main SME and four main Corporate industry segments. 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 seven key aspects that are pertinent to their business operations over the next six months. The seven 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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