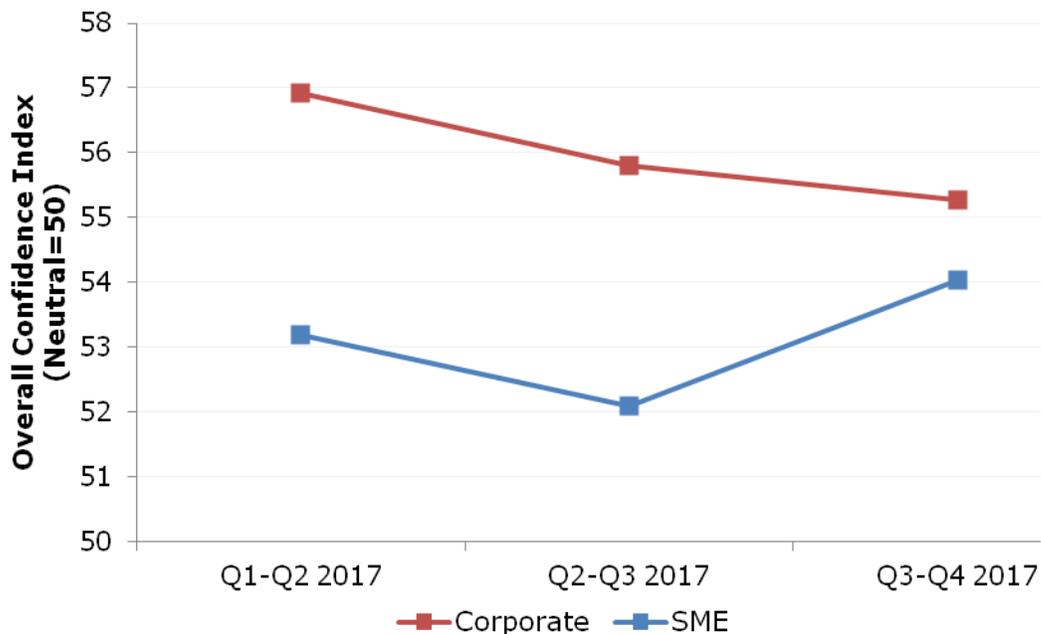




Media Release

RAM Business Confidence Index: Business confidence for Q3-Q4 2017 remains broadly positive

Firms continued to be optimistic about business prospects for Q3-Q4 2017, in the third successive positive sentiment reading of the survey-based RAM Business Confidence Index. SME sentiment rose to 54.0 from 52.1 while Corporate sentiment likewise stayed positive at 55.3, albeit dipping slightly from 55.8.



Export-oriented firms upbeat about prospects

Across the board, export-oriented businesses continued to register higher index values, in contrast with domestic-oriented firms. This is consistent with the strong momentum in trade activity, evidenced by 7 consecutive months of double-digit export growth between December 2016 and June 2017. Within the Corporate segment, the agriculture/mining sector recorded the highest and most improved index reading of 57.6, largely driven by positive hiring and business expansion intentions, consistent with the recovery trend in the oil palm sector. On the other hand, the transport/storage sector was the least bullish at 53.0, in view of a sluggish order book in some key sectors, notably O&G and related support services. In regard

to SMEs, the business services sector was once again the most sanguine with a reading of 56.4 while the retail sector was the least positive at 51.6, primarily due to the weak outlook on retail spending which had persisted from the previous survey.

Businesses positive on expansion and hiring

All 7 component indices for both Corporates and SMEs registered values of above 50, suggesting broad-based confidence about business prospects for the second half of 2017. Across the board, businesses indicated a higher likelihood of undertaking business expansion, increasing hiring and greater capacity utilisation. These trends are in tandem with an improved economic growth momentum, as seen from the higher-than-expected Q4 2016 GDP growth of 4.5% and Q1 2017 GDP growth of 5.6%.

Profitability squeeze still a concern

Nevertheless, headwinds to the pace of profitability growth in the next 6 months was again a key concern for all firms surveyed, as they continue to be wedged between the rising cost of production and sluggish demand conditions. As such, the profitability component index of both SMEs (at 50.6) and Corporates (at 51.9) still lags all other components. That said, we highlight that the previously negative profitability sentiment among SMEs has rebounded for this period, as firms generally expect to chart a higher turnover in 2H 2017. Meanwhile, Corporates expect a build-up in inventory – which will compel firms to price their products competitively – and a higher production cost to exert pressure on margins, going forward. Of the sectors surveyed for the index, the retail sector remains the most cautious about its performance in the next 6 months, given prudent consumer spending on discretionary items.

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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

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