

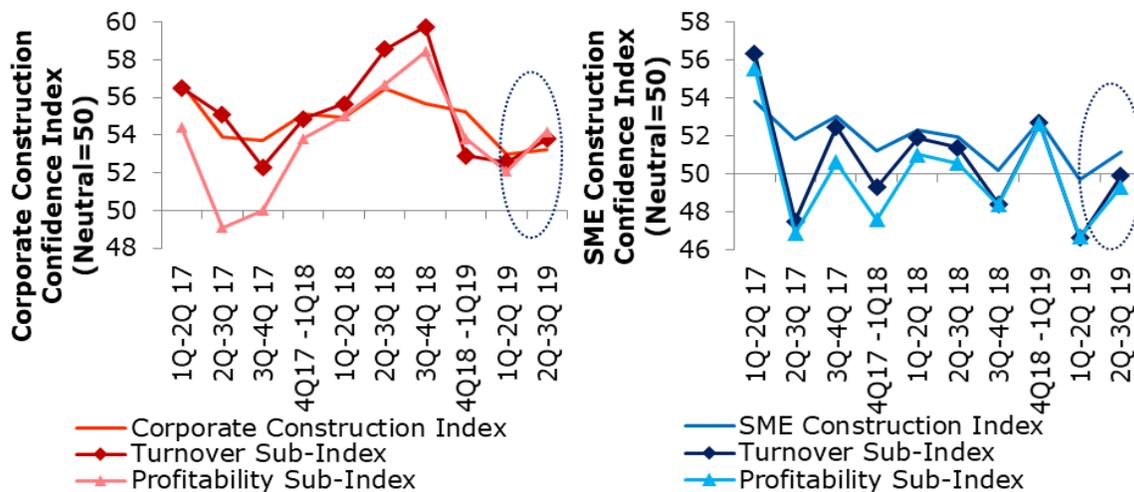


Media Release

RAM Business Confidence Index indicates nascent recovery in construction sector sentiment

In the latest 2Q-3Q 2019 RAM Business Confidence Index (RAM BCI) survey, both Corporates and SMEs in the construction sector showed improvements in their respective overall indices. Corporates construction sector exhibited an increase of 0.2 points – the only Corporate sector of the five surveyed to have charted a better sentiment – to give an overall construction index reading of 53.2. This was led by a sharp uptick in their turnover and profitability indices (+1.2 points to 53.8 and +2.1 points to 54.2). Meanwhile, the sentiment among SMEs showed an even more significant turnaround, with the overall construction index rebounding from the previous negative sentiment reading of 49.7 to 51.2, also attributable to a strong improvement in performance expectations. The stronger business sentiment in this sector, in contrast with the largely sluggish disposition seen over the last few quarters, is mainly the result of a gradual resumption of public sector projects and more clarity in government policies in respect of these developments.

Figure 1: Improved construction sentiment for 2Q-3Q 2019



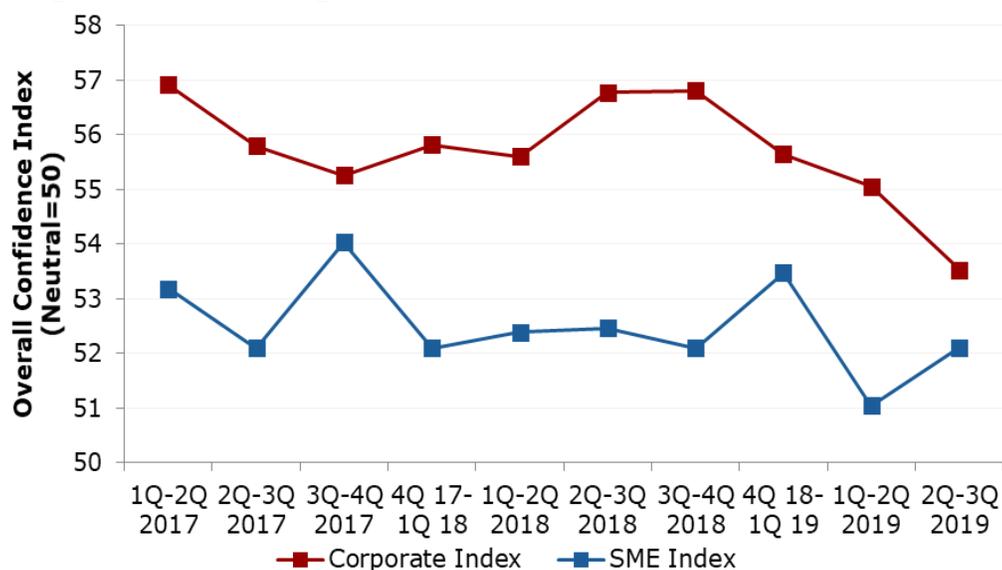
Source: RAM BCI

Despite pockets of sectoral improvements, overall RAM BCI trend continues to taper

Notwithstanding the notable turnaround in the latest construction indices, the overall RAM BCI for 2Q-3Q 2019 continues to indicate a subdued level of optimism in the next six months, with overall Corporate and SME indices at 53.5 and 52.1,

respectively. The moderating trend is most stark amongst Corporates which indicated continual dampened sentiment across the board in both performance and capacity building expectations. On the other hand, the SME sentiment showed a notable reversal from the decline in the previous quarter. This change may be attributed to a resumption of public sector projects and the commencement of Goods and Services Tax refunds to smaller firms, which ease some cashflow pressure on SMEs. That said, if organic growth prospects are not sustained, future sentiment among smaller firms could still wane.

Figure 2: Moderating trend in overall RAM BCI



Source: RAM BCI

Continued moderation in capacity building impetus still a key concern

All said, firms' expressed reticence over capacity building remains the most prominent concern, as it could weigh on the momentum of economic growth and impact potential economic output over the longer run. Although the respective sub-indices continue to record positive sentiment values of above 50, the latest survey shows that larger corporates have expressed considerably weaker intentions to expand capacity and commit to capital investments. Ensuring greater clarity and a continued focus on crafting business-enabling policies and regulations will be crucial to building business confidence among firms, which in turn would potentially put the country on a more resilient growth trajectory in the near term.



Media Release

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.

Analytical contact

Woon Khai Jhek, CFA
(603) 3385 2512
khaijhek@ram.com.my

Data support contact

William Wong
(603) 2615 1128
william@ramci.com.my

Media contact

Padthma Subbiah
(603) 7628 1162
padthma@ram.com.my

Date of release: 25 March 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

No statement in this paper is to be construed as a recommendation to buy, sell or hold securities, or as investment advice, as it does not comment on the security's market price or suitability for any particular investor.