



Media Release

RAM Ratings: 2017 signals “delicate recovery” with 4.5% GDP growth

RAM Ratings expects economic growth momentum to stabilise in 2017, on the back of resilient domestic demand and improving prospects for external demand, as indicated by the strengthening of the US economy and China’s steadfast structural rebalancing. That said, the prevailing uncertainties vis-à-vis the commencement of BREXIT negotiations and the impact that this may have on European businesses, the US’s trade strategy under a new administration and the lingering uncertainties over global oil prices will still pose crucial downside risks to our forecasts for next year. RAM projects GDP growth to come in at 4.5% in 2017, slightly better than our expectation of 4.2% for 2016.

The marginal improvement in Malaysia’s expected growth trajectory remains supported by resilient domestic demand. That said, broad-based recovery in business and consumer sentiment is not widely envisaged next year, with sales of durable goods yet to show any sustained momentum and the lack of any impetus for businesses to expand their production capacity. Nonetheless, private consumption should still be buoyed by demand for basic necessities and a normalisation of labour market conditions; growth in this area is projected to reach 6.0% in 2017. On the other hand, private investment growth will remain supported by big-ticket infrastructure projects and is anticipated to clock in at 5.5% next year, despite lacklustre capacity-building activities.

Given the expectation of stabilising growth momentum, elevated inflationary pressures and the continued volatility of the USD/RM exchange rate, we opine that Bank Negara Malaysia will hold the overnight policy rate steady at 3.00%, barring any significant downside risks arising from deteriorating external conditions.

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