ECONOMIC OUTLOOK

GROWTH SET TO REMAIN RESILIENT

Support from private consumption and investments, says MARC

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HIGHER commodity prices and improving growth outlook of the United States and China — Malaysia's leading trading partners — augur well for the country's economic outlook this year, says Malaysian Rating Corp Bhd (MARC).

Its chief economist Nor Zahidi Alias said the resilience of the headline gross domestic product (GDP) growth was underpinned by low private consumption volatility as well as a rebound in private investments.

The rebound is supported by the implementation of the Klang Valley Mass Rapid Transit 2, Light Rail Transit Line 3 and the Refinery and Petrochemical Integrated Development, among others.

MARC has revised its economic growth outlook to 4.3 per cent from 4.0 per cent for this year, attributing it to domestic demand and the resilience of external demand, although the rating house considers economic expansion to be more than eight per cent in terms of real GDP growth.

"Inflation pressures are back in the picture (in China and the US) and this augurs well as it signals that global demand is picking up," said Nor Zahidi, adding that it would also see the US Federal Reserve Fund raise interest rates this year.

MARC chief economist Nor Zahidi Alias says domestic demand will remain the primary source of growth.

He was speaking at a media briefing, here, yesterday ahead of MARC's 2017 Investors' Conference.

MARC has revised its outlook on the Malaysian Consumer Price Index (CPI) to between 2.8 and 3.3 per cent this year.

January's CPI recorded growth of 3.2 per cent, mostly due to base effects.

Apart from an increase in iron ore prices, a continued rebound in global crude oil prices would be positive for the economy this year.

Prices of crude oil have risen to between US$50 and US$60 (RM222.40 and RM266.88) per barrel as the supply glut is expected to narrow this year.

This would expand the government's revenue and improve the overall business sentiment.

"Domestic demand will remain the primary source of growth while the key downside risks to our forecast will stem from reservations in the external environment," said Nor Zahidi.

Many macroeconomic parameters remained well in line with Malaysia's single A-peers, he added.

Corporate bond issues likely to rise

KUALA LUMPUR: Corporate bond issuance is likely to jump to more than RM85 billion this year on the back of rebounding private investments in large infrastructure projects in Malaysia, says Malaysian Rating Corp Bhd (MARC).

About RM85 billion of corporate bonds were issued annually over the past four years.

MARC's chief economist Nor Zahidi Alias said government bonds were estimated to increase between RM105 billion and RM110 billion.

Meanwhile, chief rating officer Rajan Paramesran said in a "MARC-rated universe", there were no defaults for a second year running in 2016.

"We predict the overall credit quality of MARC's rated portfolio to maintain fairly stable, supported by recovery in key sectors as well as initiatives to strengthen the credit profile," he said at a media briefing, here, yesterday.

There were more rating affirmations with a stable outlook at 92.4 per cent and there is no expectations of a sharp downward rating migration or any increase in default risk.

The oil and gas and property sectors were likely to remain challenging, it said.

MARC expects most corporates to be able to manage their debt in the near term.

It has maintained a stable outlook on the domestic banking industry, expecting loan growth to expand between five and six per cent this year.