MARC: High chance ringgit will 'snap back'

> Malaysian currency to rise to 4.20 against dollar once foreign risks have dissipated, says rating firm

BY **EE ANN NEE**
sunbiz@thesundaily.com

KUALA LUMPUR: Malaysian Rating Corp Bhd (MARC), which projects Malaysia's 2017 gross domestic product (GDP) growth at 4.3%, expects the ringgit to improve to around the 4.20 level against the US dollar by year-end, once external risks have dissipated.

MARC chief economist Nor Zahidi Alias said the ringgit has come down some 15% against the currencies of the country's major trading partners compared to the situation in 2010.

"At that level, the probability of going up is more than the probability of going down. Past cycles and decades show that the probability of ringgit snapping back is actually more than anything else. It (ringgit) looks too cheap," he told a media briefing on the Malaysia's economic and sectoral outlook here yesterday.

"What happens in the US is key, not so much here. Once you remove all the (global) uncertainties, the prospect of the ringgit coming back to 4.20 against the US dollar is high," he added.

MARC has revised its GDP forecast from 4% initially to 4.3% for 2017, due to the stabilising pace of domestic demand and resilient external demand.

Zahidi said the Malaysian economy remains commendable at this juncture, considering the multiple headwinds it confronts, and its growth trajectory hinges mainly on global developments. A continuing recovery in global trade and commodity prices would be positive for Malaysia. Domestic demand would continue to support headline growth, although its pace will likely moderate due to rising costs of living and weaker consumer sentiment.

Zahidi warned though that inflation could be slightly higher this year, estimating a 2.8%-3.3% jump in the consumer price index, from 2.1% last year, partly due to a lower base in 2016.

Zahidi said there is a possibility that corporate bond issuance in 2017 may be higher than the RM85 billion a year in the past four years with the implementation of large infrastructure projects.

MARC expects corporate credit growth in 2017 to improve over 2016, supported by the steady pace of economic growth and the improving outlook for some key sectors, such as infrastructure and crude palm oil.

Most Malaysian corporates are expected to be able to manage their debt in the near term, from the recent measures undertaken by several major corporates including asset monetisation, rights issues and corporate restructuring.

MARC chief rating officer Rajan Paramesran said borrowing growth continued to be modest, around 5% a year in recent years compared with an average of 8% a year between 2010 and 2014. Corporate leverage position on balance has improved, declining since 2014, and was below 0.4 times in 2016.

MARC predicts the overall credit quality of MARC's rated portfolio to remain fairly stable.

ASYRAF RASID/THESUN

From left: MARC CEO Mohd Razlan Mohamed, Nor Zahidi and Rajan after the media briefing on Malaysia's economic and sectoral outlook for 2017 yesterday.