

## **Survey shows M'sian business confidence slightly up in Q4 2016**

MalaysiaKini.com

Jan 20<sup>th</sup>, 2017

Malaysian business confidence rose slightly in Q4 2016, but remained subdued compared to previous years, according to the latest Global Economic Conditions Survey from the Association of Chartered Certified Accountants (ACCA) and the Institute of Management Accountants (IMA).

The low confidence can be attributed to various factors, including the price of oil and the decline in the ringgit, explains Vilashini Ganespathy, acting head of ACCA Malaysia.

“The low price of oil has had an impact on economic confidence, as it hit export revenues hard and led to a sharp drop in government revenue. The subsequent need to cut government spending to balance the books is reflected in the depressed level of the government spending expectations index for Malaysia,” she said.

This cut in government spending is also seen in developed markets, where the survey noted how the fall in government spending index is at its lowest level since the start of 2016 reflecting that major developed markets remain firmly in austerity mode.

“Another significant factor has been the recent decline in the ringgit, which has fallen to its lowest level against the US dollar since the Asian financial crisis of 1997-98. Our high level of foreign currency debt means that the central bank needs to keep monetary policy tight,” added Vilashini.

However Vilashini also noted that the low likelihood of a rate cut appears to be reducing investment prospects, referring to the low indices recorded for investment opportunities and capital expenditure.

### **Global perspectives**

The Malaysian rise in confidence belies international conditions, with the survey finding that global business confidence dropped in Q4 amid ongoing global political and economic uncertainty.

Across the Asia Pacific, 52 percent of respondents reported feeling either much less or slightly less confident about their outlook over the next three months. This reflects the fact that although most countries are still growing at a decent pace, challenges are mounting.

Globally, declining incomes are companies' main concern with 44 percent citing this as a worry. The decline in global confidence has been matched by a fall in hiring, with 52 percent

reported they are considering staff cuts or staff freeze, compared with 16 percent who are planning to create new jobs.

Similarly, there were more companies planning to scale back investment in capital projects (38 percent) than increase investment (14 percent).

Changes in the political landscapes of Europe and the US, along with uncertainty over US/China trade developments and a decline in government investment were contributing factors, with the Eurozone hitting its lowest confidence levels since 2011.

Commenting on the global findings, Faye Chua, head of business insights at ACCA, said: “Current political uncertainty is clearly having an impact on global business confidence. In the US the Trans-Pacific Partnership is unlikely to be ratified while likely restrictions on trade with key markets including China and Mexico are also major factors here.

“In Europe, uncertainty over the outcome of elections in the Netherlands, France and Germany - which could lead to major policy shifts for regional trade and the future direction of the Eurozone - all contribute to a gloomy outlook going into 2017.

“However, it is not all bad news. Despite these concerns, the global economy may be on course for growth in 2017 as China responds positively to its economic stimulus programme and the US maintains a partial recovery.”

- *Bernama*

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