DOWNWARD REVISION

RHB FORECASTS 6.3PC GROWTH

Decelerating global demand may hurt exports next year

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RHB Banking Group says the revision of the country's gross domestic product growth is linked to its position as a small, open economy where exports matter to a significant extent.

RHB Banking Group has revised downwards the country's gross domestic product (GDP) growth to 6.3 per cent next year from an earlier projection of seven per cent.

Group chief economist and head of market research Dr Sailesh Kumar Jha said the revision was linked to the country's position as a small, open economy where exports mattered to a significant extent.

He said the pace of export growth had been fairly robust on the global level, as seen in South Korea, Taiwan, China, Singapore and many other markets.

"A lot of it has to do with the electronics and pharmaceutical sectors but as those tailwinds from global demands start decelerating, our exports projection will be lower than what the consensus is estimating," Sailesh told the media at the launch of RHB's flagship research publication titled *Path Finder — Separate the Noise from Reality* yesterday.

He said RHB preferred Malaysia as a safe haven for investors next year as any basic pickup in volatility would be a strong buffer with the real growth and real interest rate differential between Malaysia and the United States.

This is against the perception that there will be a large capital outflow from Malaysia following economic recovery in the global market as well as shortage of US dollar flow in the Asian region.

"That is what cushioned us and we believe that it is likely to happen. We believe that there are enough domestic investors based at least in the fixed-income bond market that preempt any sizeable capital outflow on a sustained basis.

"Hence, Malaysia is a safe haven if risk aversion and volatility take place at the global level," he said.

On Fitch Ratings' recent downgrade of Malaysia's credit rating, Sailesh said some areas of the assessment were lacking.

These include concerns about the external liquidity condition faced by Malaysia, given that the country has a large foreign investor component in the domestic bond market.

"Analytically, Malaysia has enough buffers to withstand net capital outflow. We believe that Standard & Poor's and Moody's are unlikely to follow Fitch.

"We believe domestic and external liquidity conditions in the Malaysian capital market are fairly resilient that the government will come to the table in terms of fiscal consolidation once these headaches behind Covid-19 are done within next year or so," he added.