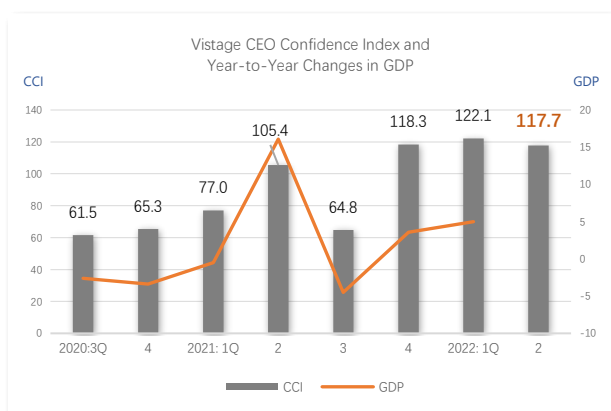


TEMPERED CONFIDENCE

Malaysia's transition to the endemic phase of the Covid-19 in May 2022 with the re-opening of international borders is providing somewhat tempered cheer to CEOs, as global economic headwinds related to geopolitical tensions and supply chain disruptions, including the emergence of new Covid-19 variants, remain challenging. After two consecutive quarters of increase, the Vistage-MIER CEO Confidence Index (CCI) lost 4.4 points on the quarter in 2Q2022 to 117.7, an indication of CEOs' lower, but sustained, confidence with the economy and prospects of their firms moving forward.



	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022
VISTAGE-MIER CEO CONFIDENCE INDEX	61.5	65.3	77.0	105	64.8	118.3	122.1	117.7
Current Economic Conditions	14	15	39	112	18	108	138	143
Expected Economic Conditions	65	62	79	129	72	164	152	137
Expected Change in Employment	109	115	121	139	111	156	160	159
Planned Fixed Investment	91	96	108	130	94	145	148	148
Expected Revenue Growth	97	107	122	152	103	170	171	165
Expected Profit Growth	89	99	113	135	92	151	154	138

Note: All component questions are scored as the percent giving favorable replies minus the percent for unfavorable plus 100. The VISTAGE-MIER CEO Confidence Index is the sum of the components calculated as a percentage of the level recorded in 2nd quarter 2003 survey.

Vistage CEO Confidence Index Highlights

Economy

CEOs have given the domestic economy the thumbs up lately. Reflecting this is the current economic conditions index which, at 143 in 2Q2022, is the highest on record since 2Q2010. With 60% of the 874 respondents saying that the economy had performed better in 2Q2022, this is also the highest proportion received in twelve years. Only 17% opined that the economy had worsened in recent months, while 23% were neutral on this.

CEOs' near-term outlook of the economy remains sanguine, but cautious. This is shown by the latest expected index for economic conditions which fell to 137 from 152 previously, with 58% of the CEOs believing that the domestic economy will improve in the coming months, down from 62% in 1Q2022. Notwithstanding the re-opening of the economy, CEOs have likely remained equally judicious in cognizance of the risks to growth posed by global developments that could impact investment and global trade.

Prospects

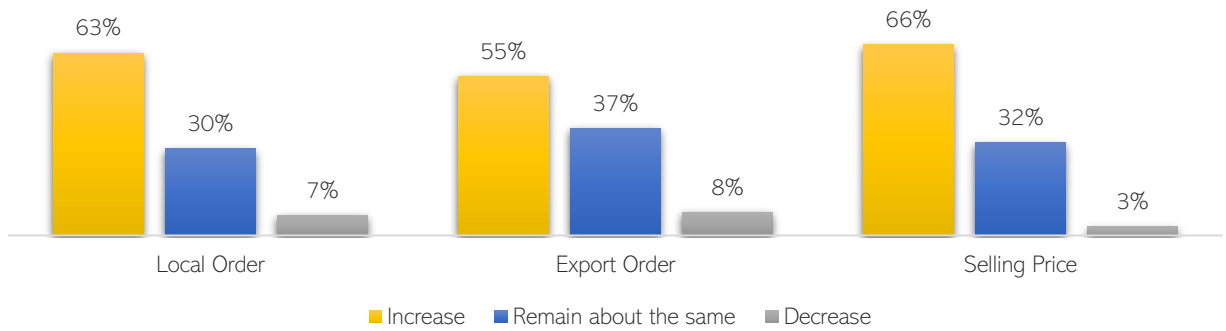
Except for expected investment, lower readings were also recorded in all the other forward-looking indicators this quarter. Yet, they had remained above the 100-point confidence threshold, indicating that confidence amongst CEOs on their firms' outlook has held up fairly well for now. The largest decline was charted by the index for expected profitability which, at 138, had lost sixteen points from the last quarter, but most CEOs are still confident enough to project commendable profits for their firms in the coming months. Attesting to this is the 53% and 32% of CEOs who are expecting higher or stable profits soon, respectively, compared to 63% and 28% of CEOs in 1Q2022, respectively. Revenues are also expected to be a shade paler than previously, as depicted by the expected revenue index which fell six points quarter-on-quarter to 165 in the latest survey. 72% of the CEOs are forecasting higher revenues in the next quarter or two, down from 76% a quarter ago.

Expansion

Employment is expected to remain steady in the coming months, as denoted by the index for expected employment which, at 159, is little changed from the previous quarter's 160. 63% are planning to increase their headcount soon, down marginally from 64% last quarter. Those contemplating retrenchment in the next few months have also remained at 4% as the prior quarter.

The index for expected capital expenditure (CAPEX) which rose to its eleven-year high of 148 last quarter has remained the same for this quarter as well, suggesting that CAPEX will also remain steady in the months ahead. 55% of the CEOs will likely increase their CAPEX soon, while 7% are considering otherwise, compared to 54% and 6% in 1Q2022, respectively.

Order Forecast & Selling Price



As the economy continues on its recovery momentum, an increase in new local and export orders should be expected in the latter half of 2022, driven by pent-up domestic demand and continued robust external demand. Once again, CEOs seemed to be taking a cautious stance by adjusting their next quarter projections lower amid the current economic challenges, both at home and abroad.

Domestic orders are expected to rise at a faster pace than export orders in the coming months. 63% of the CEOs are expecting to receive more new local orders soon, down from 68% a quarter ago. For those who export, a lower proportion of 55% are projecting higher export orders soon, down from 61% in 1Q2022.

Local selling prices are expected to head further up in the coming months, as revealed by 66% of the CEOs, up from the previous quarter's 62%. No price revision will be implemented by 32% of the CEOs for now, while 3% are considering price-cuts soon.

KEY AREAS TO IMPROVE OPERATIONAL EFFICIENCY TO DRIVE GROWTH

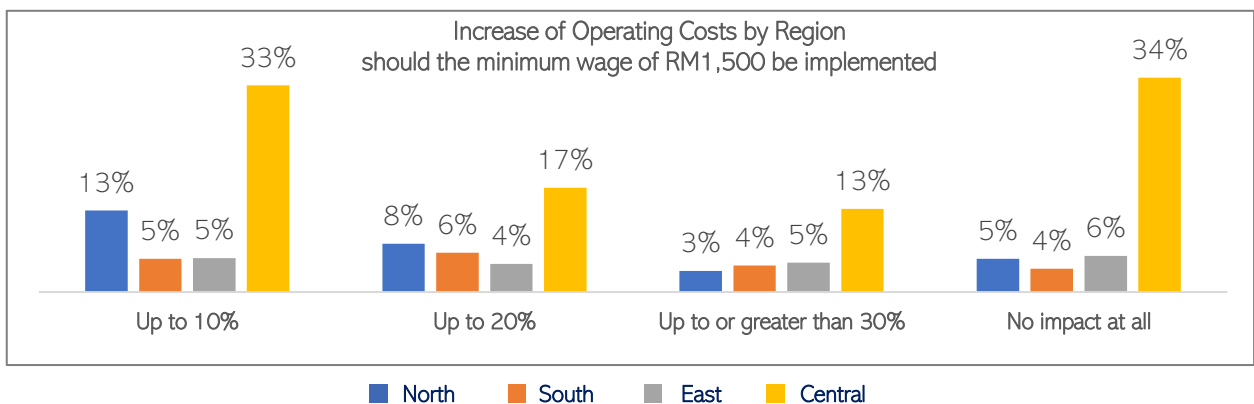
Results of the 1Q2022 survey showed that three quarters of the CEOs have indicated their interest in improving their operational efficiency to drive growth in their companies or for business recovery. To achieve this, the three key areas that most of them have worked on or are planning to work on were, namely, automation (processes, cost cutting/cost optimisation), digitalisation/digitisation (sales, marketing, operations) and human resource (talent/skills, productivity, training, team building, lean management).

MINIMUM WAGE

The minimum wage of RM1,500 that came into effect in May 2022 is expected to affect most CEOs whose business operations are located in the central region. Among them, 31% believed that the new rate will pose an immediate significant burden on them, while 34% opined that the impact on them will be modest but tolerable. To another 45% of the CEOs in this region, the impact on their businesses is expected to be minimal. As to how much the new rate will increase their operating costs, 33% and 17% estimated it to be up to 10%, and up to 20%, respectively, while 13% are looking at "up to or greater than 30%".

For most of those with business operations in the northern and southern regions, the impact on them is likely to be modest but tolerable, with 12% and 8% saying so, respectively. In terms of operating costs, an increase of up to 20% is assessed by 21% and 11% of the CEOs in the north and south, respectively. Cost increases of up to or greater than 30% are estimated by another 3%-4% of those operating in these two regions.

The least to be affected by the new rate are likely to be those in the east, with most (8%) anticipating the impact on their business operations to be minimal.



IMPACT OF INFLATION AND HIGHER INTEREST RATES

Bank Negara Malaysia had, on 11 May 2022, raised its benchmark interest rate by 25 basis points to 2.0%, its first adjustment since its historic cut to a low of 1.75% in July 2020. Coupled with both the economic recovery and inflationary pressures picking up momentum lately, most CEOs opined that their businesses will be affected moderately to significantly by rising inflation and higher interest rates.

A breakdown shows that rising inflation is expected to affect 53% of the CEOs moderately and another 30% significantly. Higher interest rates will also likely have a moderate and significant impact on 52% and 19% of the CEOs, respectively.

RECRUITMENT IN 2H2022 AND SHORTAGE OF TALENT

Labour shortage is an acute problem that affects output and capacity. Results of the 1Q2022 survey have also shown that 54% of the CEOs had indicated talent shortage as a major business risk they were facing or expect to face in 2022. To address this, 70% of the CEOs are expected to recruit less than 50 workers over the next six months, while 8% are planning to hire 50-100 workers and 2% are considering an additional headcount of more than 200.

The top three areas in which CEOs are facing a shortage of talent are sales and marketing, production, and IT/Digital, as confirmed by 58%, 50% and 34% of the CEOs, respectively.

HUMAN RESOURCE DEVELOPMENT AND MANAGEMENT

When asked if CEOs invest in development specifically for their company's managers and leaders, 57% replied affirmatively. One of the key initiatives adopted by CEOs in developing leaders is the training or programmes by Vistage such as the Management Development Programme, Key Group Mentoring Programme, Talent Management Scheme, Manager Development Programme, Mind Valley and 7 Habits of Leadership Development (soft skills).

In the course of being a high appealing employer, certain performance metrics have been deployed. To monitor the success of their human resource management efforts, team KPIs and productivity are the most popularly used metric among 80% of the CEOs. While employee retention rates and exit interviews are implemented by 47% and 30% of the CEOs, respectively, net promoter or employee satisfaction surveys are the choice of 24% of the CEOs.

PIVOTING IN THE PAST 2 YEARS

In battling through the pandemic in the past two years, most (48%) of the CEOs have persevered with their original businesses, but 32% have embarked on another 'new' business, while retaining their original businesses with the hope of rejuvenating them post-pandemic. Another 17% had 're-invented' and conducted their businesses quite differently.

BUSINESS RECOVERY

With the country's transition into the endemic phase and re-opening of borders recently, most (26%) CEOs estimated a period of more than six months up to a year for their companies to recover to profitable/pre-Covid levels. For another 19% of the CEOs, they will require a recovery period of more than three months up to six months, while 16% estimated a timeframe of more than one year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) INITIATIVE

Environmental, social and governance (ESG) issues have gained the attention of leaders and investors as an important strategic initiative. As part of their ESG initiative to better position themselves for the long term and prepare their companies for stability, the top three actions undertaken by CEOs to stay relevant are the use of more sustainable materials (48% responses), the use of energy-efficient and/or climate-friendly machinery, technologies and equipment (45% responses), and the training of employees on actions and impact relating to climate change (38%). Developing new climate-friendly products and/or services is undertaken by 24% of the CEOs, while 18% require their suppliers to meet specific sustainability criteria and 14% align their senior management's remuneration to environment sustainability performance and KPIs.

ABOUT VISTAGE MALAYSIA AND MIER

Vistage Malaysia is a licensee of Vistage International, USA, the world's most trusted resource for CEOs, business owners and key executives of small and medium sized businesses to help them become better leaders, make better decisions and deliver better results, providing unparalleled access to issue resolution and better performance through monthly peer advisory group meetings, one-on-one business coaching, expert speaker presentations, and extensive online connectivity spread over 29 partner locations across 26 countries with more than 27,000 members worldwide.

Vistage Malaysia has more than 1,000 members with combined annual revenue of RM70 billion and employing over 120,000 employees. Vistage member companies grow, on average, 2.2 times faster than they did prior to joining Vistage. In 4Q2005, Vistage Malaysia entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the CEO Confidence Index. MIER is an independent, private, non-profit organization, devoted to economic, financial, and business research that would serve as a think-tank for the government and private sector by providing an objective and impartial understanding of socioeconomic issues of national, regional and global importance.