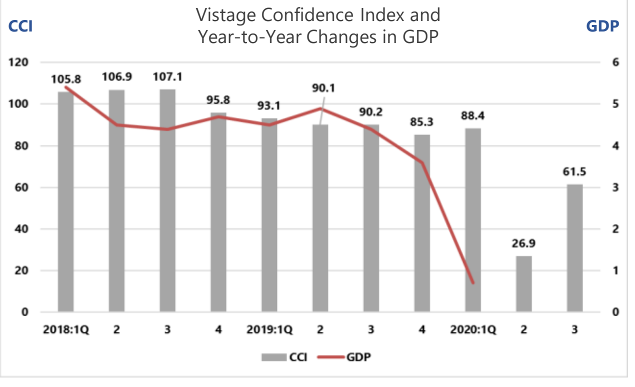
COVID-19 CONTINUES TO CLOUD CONFIDENCE

CEOs trod in trepidation as concerns over the Covid-19 assault on the economy and their businesses continue to drag on their confidence. Results of the Vistage-MIER CEO Confidence Index (CCI) continue to show a dent in CEOs' confidence in 3Q2020. At 61.5, the latest reading is the second lowest on record so far after 2Q2020's 26.9. Notwithstanding this 34.6-point increase, the CCI has stubbornly stayed below the 100-point optimism threshold, indicating that confidence amongst CEOs is still lacking in 3Q2020. With the domestic and global economies still struggling to get back onto even keel, uncertainties and challenges remain high on the horizon, and caution becomes the order of the day as CEOs continue to keep expectations of the economy and the prospects of the firms in check for the rest of the year 2020.



Note: 2Q2020 GDP will be released in mid August 2020

	2Q 2019	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020
VISTAGE-MIER CEO CONFIDENCE INDEX	90.1	90.2	85.3	88.4	26.9	61.5
Current Economic Conditions	68	71	62	66	6	14
Expected Economic Conditions	111	109	92	88	15	65
Expected Change in Employment	128	127	126	126	65	109
Planned Fixed Investment	127	124	118	123	46	91
Expected Revenue Growth	125	132	129	139	35	97
Expected Profit Growth	122	119	118	126	36	89

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

The latest current economic conditions index is at its worst since 2Q2020, falling to a level of only 14, reflecting CEOs' lack of confidence with the state of the Malaysian economy lately. 89% of the 740 respondents were of the view that the domestic economy has worsened in 3Q2020, while only 3% saw an improvement. Their economic prognosis for the coming months is similarly tame.

Although the expected economic conditions index picked up 50 points from the prior quarter's 15, the reading is the lowest since 4Q2016 (excluding 2Q2020) and remains far below the optimism level of 100 points. More than half of the CEOs are expecting the domestic economy to weaken further in 4Q2020, but 21% are filled with more positivity.

Prospects

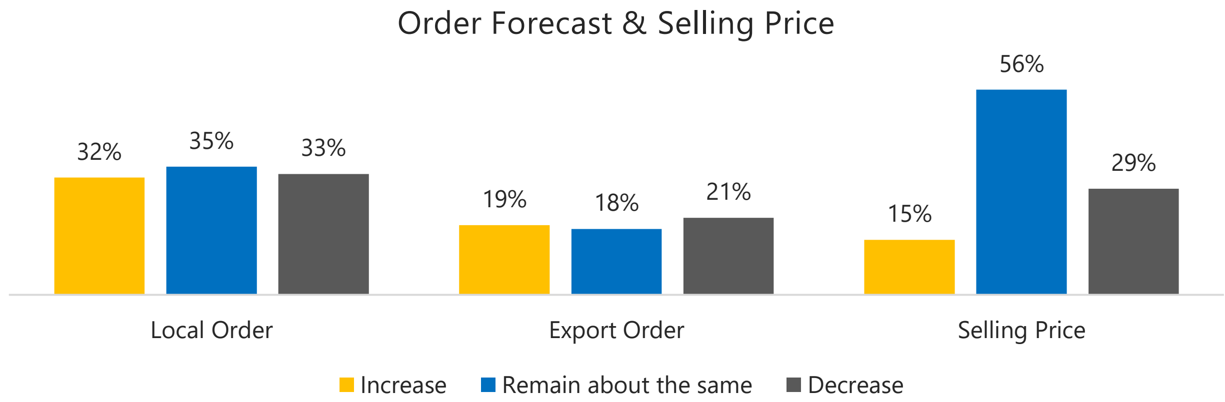
CEOs are shifting the outlook of their businesses to moderation mode going forward. All the expected indexes improved from 2Q2020, albeit below the 100-point demarcation level of optimism, except employment. The indexes for expected revenue and profitability rose on the quarter to 97 and 89 in 3Q2020, respectively.

37% of the CEOs in 3Q2020 are forecasting lower revenues in the near term, while 34% responded positively. In terms of profits, 41% of the CEOs foresee a dip in their profits in the coming months, while 30% are expecting an increase instead.

Expansion

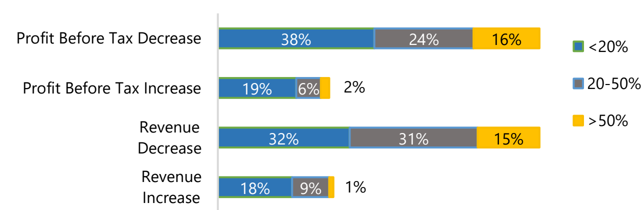
As challenges from the pandemic continue to stunt Malaysia's economic growth, hiring activities are also halting or slowing down across multiple sectors. The expected index for employment in 3Q2020, though up from 2Q2020, fell to 109 from 127 a year ago. 29% of the CEOs planned to increase their headcount by yearend, compared to 41% in 3Q2019 and 7% in 2Q2020.

The latest index for expected capital expenditure stood at 91, an indication that CAPEX will likely take a breather in the next few months. 37% of the CEOs are contemplating cutting down on their CAPEX soon, while 28% are planning otherwise, compared to 65% and 11% last quarter, respectively.



CEOs who export are relatively more optimistic than those who do not in 3Q2020. 33% of those who export are hopeful of receiving more orders from abroad in the coming months, up from 19% last quarter and 30% a year ago. For those who sell locally, they are generally more positive this quarter than 2Q2020, but less so when compared to 3Q2019. 32% are looking forward to securing higher local orders soon, compared to 13% and 43% in 2Q2020 and 3Q2019, respectively. Local selling prices will likely remain stable as well, with 56% pledging to maintain their prices for now, while price-cuts may even be offered by 29% of the CEOs soon.

REVENUE AND PROFIT: 2Q2020 vs 1Q2020



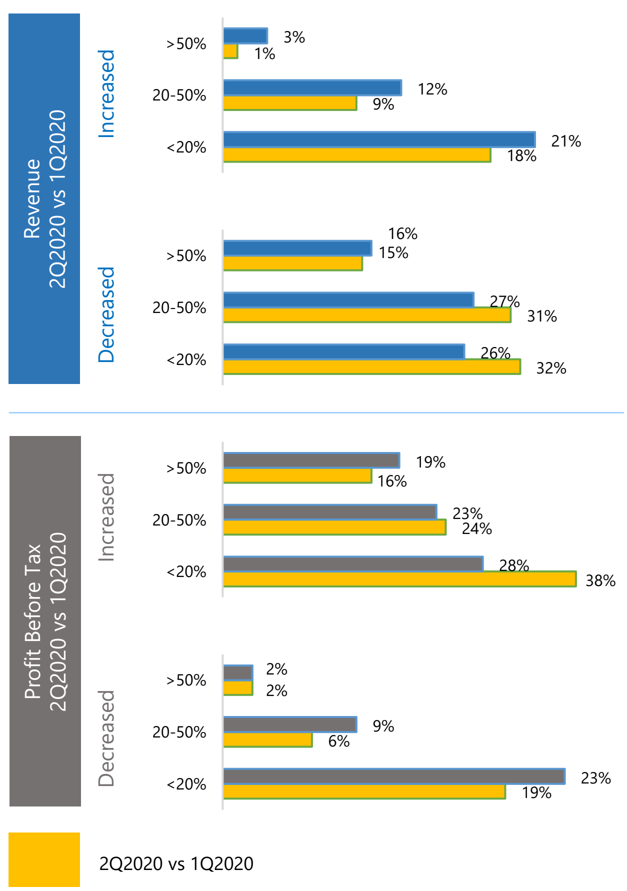
Revenues and profits of CEOs in 2Q2020 performed relatively better than 1Q2020, with smaller majorities reporting lower revenues and profits, and an increase in those reporting higher revenues and profits.

Among those who experienced lower revenues lately, 53% calculated the percentage change of their revenues quarter-on-quarter to be less than 20% and up to 50%, down from 63% tabulated last quarter (1Q2020 vis-à-vis 4Q2019). A reduction of more than 50% was revealed by 16% of the CEOs, up marginally from the previous survey's 15%.

Higher revenues of up to 50% was reported by 33% of the CEOs, up from 27% in the prior quarter. 3% enjoyed a percentage change of more than 50% lately, up from 1% previously.

Higher gross profits in 2Q2020 vis-à-vis 1Q2020 with a percentage change of less than 20% was reported by 23% of the CEOs, up from 19% in the last quarter (1Q2020 vs 4Q2019). 9% and 2% estimated their increase to be 20-50% and above 50%, respectively, up from 6% and 1% previously.

Lower gross profits with a percentage change of less than 20% and up to 50% was noted by 51% of the CEOs this quarter, down from 62% a quarter ago. 19% calculated their reduction to be more than 50%, up from 16% in the prior survey.

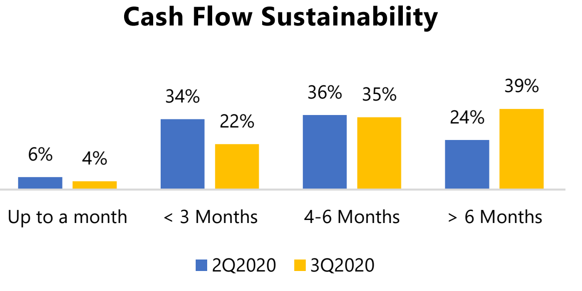


EMPLOYEMENT IN THE NEXT 6 MONTHS

In the next six months, most CEOs (54%-70%) will retain all their employees, with no salary cuts or deferment, and no reduction in working days and hours. Of those who are retaining only a portion of their staff, most (9%) will likely retain more than 40% of their headcount, while majority (15%) of those retrenching will likely trim theirs by up to 10% only. A maximum of 10%, 5% and 10% of the CEOs are opting for salary cuts, salary deferment and reduction in work days and hours of up to 10%, respectively. While 24% will increase their workforce by 1-10%, another 2% will expand theirs by more than 40% in the coming months.

CASH FLOW TO SUSTAIN BUSINESS OPERATIONS

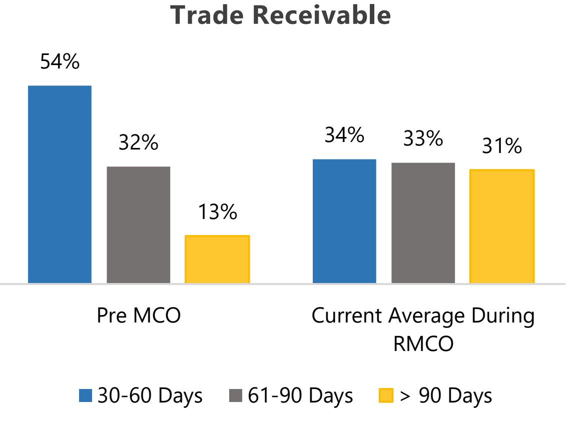
The cashflow situation of CEOs, in general, is improving, with most CEOs (39%) saying that their cashflow can sustain their business operations by more than six months, compared to 24% a quarter ago. 35% evaluated theirs at 4-6 months, little change from the previous quarter's 36%. Another 22% of the CEOs projected a duration of less than three months, down from 34% a quarter ago. 4% of the CEOs are estimating a cashflow sustainability of up to a month, down from 6% previously.



CURRENT TRADE RECEIVABLES

As in the preceding survey, pre-MCO trade receivables (in collection days) for most CEOs have also changed during the RMCO, especially those of 30-60 days and above 90 days. Prior to the MCO, 54% of the CEOs reported trade receivables of 30-60 days but during the RMCO, the proportion was reduced to only 34%.

While the pre-MCO receivables of more than 90 days was indicated by 13% of the CEOs this quarter, the proportion has jumped to 31% during the RMCO. Again, as in the 2Q2020 results, there is also not much change in those reporting receivables of 61-90 days this quarter; 32% and 31% responses were received pre-MCO and RMCO, respectively.



FUNDING ARRANGEMENTS

In terms of funding, most (27%) of those CEOs who applied for the Special Relief Fund (SRF) confirmed having obtained approval with disbursement made in 3Q2020, while 16% who have received approval for their applications are still waiting for their disbursements. Another 9% have obtained approval for funding under normal facilities and received payment, but 11% have yet to receive theirs although approval has been granted. 11% were rejected, while these funds are not applicable to the rest of the other CEOs.

PENJANA ECONOMIC RECOVERY PLAN

On 5 June 2020, the government launched the short-term PENJANA Economic Recovery Plan which aims to relieve the cashflow of businesses by offering remissions of penalties for late tax payments. When asked which initiatives of this plan that they would most likely take up, 66% indicated the wage subsidy until September 2020 and reduction in work week. Tax deduction/capital allowance for Covid-19 related expenses, tax deduction to implement/enhance flexible work arrangement and EIS will most likely be taken up by 23%, 22% and 21% of the CEOs, respectively. The least popular initiatives are the 100% ITA for three years for existing companies to relocate overseas facilities to Malaysia with capital investment above RM300 mil, and the 100% export duty exemption from 1 July to 31 December 2020 for crude palm oil, crude palm kernel oil and refined, with only 1% of the CEOs likely to go for either one of them.

BUSINESS RECOVERY IN THE NEXT 6 MONTHS

As a key imperative to helping recover their businesses, most CEOs are adopting digitalization in the next six months. The next top three recovery plans are the introduction of new products, market expansion, and training and upskilling to increase productivity. Automation, diversification, joint-venture and change in business model are some of the other plans listed by some CEOs.

FISCAL MEASURES WISHLIST

Topping the list of fiscal measures that CEOs would wish the government implement is a reduction in corporate tax, followed by an extension in wage subsidy till end of 2020 and an extension of the loan moratorium for another six months. The fourth and fifth highest votes were for a reduction in the sales and services tax (SST) and a reduction to the Employees' Provident Fund (EPF) from the employers.

POST-MORATORIUM LOAN REPAYMENT

When asked if they intend to reschedule their loan repayment after the moratorium, the response was mixed. 37% of the CEOs said they intend to but 38% do not intend to, while the rest said this is not applicable to them.

SUPPLY CHAIN DISRUPTIONS

In 3Q2020, supply chain disruptions were experienced by 55% of the CEOs, while 45% did not encounter any such issue. Of those who did, most (35-42%) were either slightly or moderately affected on both the demand and supply sides. Those badly affected on the demand part totaled 19%, while 14% were badly affected supply-wise.

WORKING FROM HOME

Most of those CEOs working from home are mainly in sectors related to the consumer markets, industrial markets, and construction and property.

TRAVEL ABROAD

Assuming all travel restrictions are lifted in the immediate term (3-6 months) and a vaccine has yet to be found, 64% of the CEOs do not think they would travel abroad anytime soon but 36% believe they would.

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 1,800 cities in 22 countries with more than 24,000 members worldwide.

Vistage Malaysia has more than 800 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.