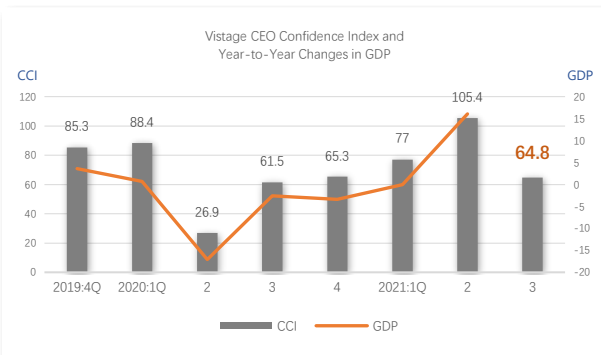


## CONFIDENCE SLUMPS

CEOs are increasingly apprehensive over the state of the Malaysian economy as escalating cases of Covid-19 infections and tightening of containment measures to curb the spread of the virus weigh heavily on their confidence and prospects of their firms going forward. Reflecting this is the Vistage-MIER CEO Confidence Index (CCI) which tumbled 40.6 points quarter-on-quarter to 64.8 in 3Q2021, the lowest reading since 3Q2020.



	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021	3Q 2021
VISTAGE-MIER CEO CONFIDENCE INDEX	85.3	88.4	26.9	61.5	65.3	77	105.4	64.8
Current Economic Conditions	62	66	6	14	15	39	112	18
Expected Economic Conditions	92	88	15	65	62	79	129	72
Expected Change in Employment	126	126	65	109	115	121	139	111
Planned Fixed Investment	118	123	46	91	96	108	130	94
Expected Revenue Growth	129	139	35	97	107	122	152	103
Expected Profit Growth	118	126	36	89	99	113	135	92

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

There is unanimous consensus amongst CEOs that economic conditions in the country have deteriorated in recent months. This is shown by the current economic conditions index which, at 18, has plummeted 94 points quarter-on-quarter. A clear majority of 85% of the 828 CEOs who responded to the survey believed that the economy had worsened lately, while only 3% saw an improvement.

Their near-term economic expectations are equally lacklustre, as indicated by the expected economic conditions index which fell to a three-quarter low of 72 in 3Q2021. With only 24% of the CEOs responding positively this time, the proportion has shrunk from the 48% received last quarter, suggesting that economic confidence amongst CEOs is losing momentum for now.

### Prospects

CEOs have also revised their projections for their firms lower for the rest of 2021. The expected indexes for revenue and profitability had declined from 2Q2021 to 103 and 92 in 3Q2021, respectively, implying that revenues and profits are expected to weaken in the coming months.

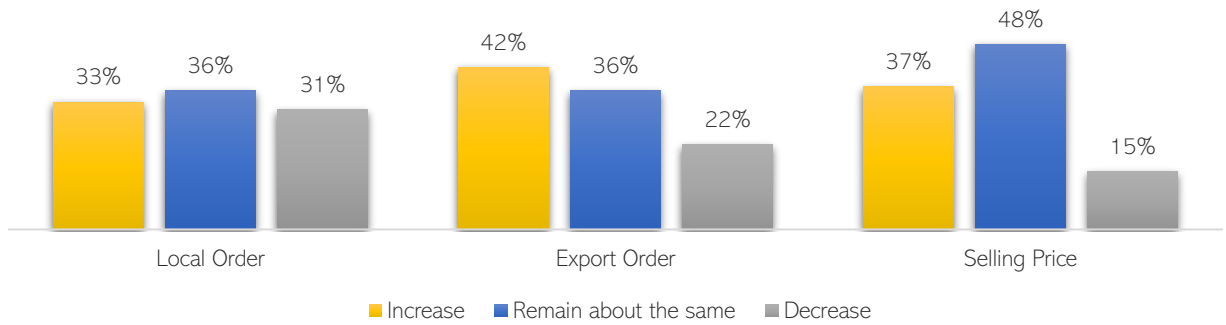
Higher revenues are projected by 37% of the CEOs, while 30% are anticipating higher profits soon, both of which are the lowest proportions being tabulated since 3Q2020.

### Expansion

Fewer jobs will be up for grabs by year-end. This is reflected in the latest index for expected employment that fell to 111 from the prior quarter's 139. A four-quarter low of 30% of the CEOs are planning to increase their headcount soon, while 19% are considering retrenchment, up from 8% last quarter.

The expected index for capital expenditure (CAPEX) also registered lower this quarter than previously. At 94, it had lost 36 points from 2Q2021, a sign that CAPEX will likely remain subdued in the months ahead. Only 25% of the CEOs have plans to expand their CAPEX, compared to 43% a quarter ago.

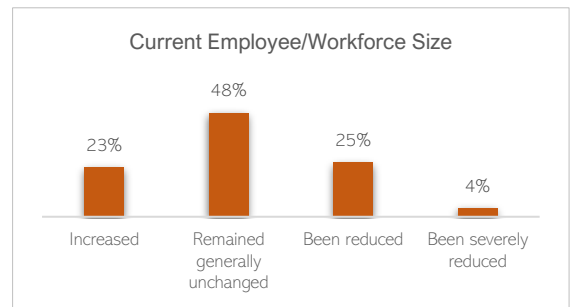
### Order Forecast & Selling Price



New local and export orders are trending down lately, an indication that both domestic and external demand are expected to slow down in the coming months. 33% of the CEOs are expecting higher local orders soon, the smallest proportion received in three quarters. Among those who export, 42% are anticipating their orders from abroad to increase anytime soon, down from the previous quarter's 45%. Local selling prices are also moderating, with 37% divulging plans to hike their prices in the next few months, down from 43% in 2Q2021. Price cuts may also be undertaken by 15% of the CEOs soon, up from 11% last quarter.

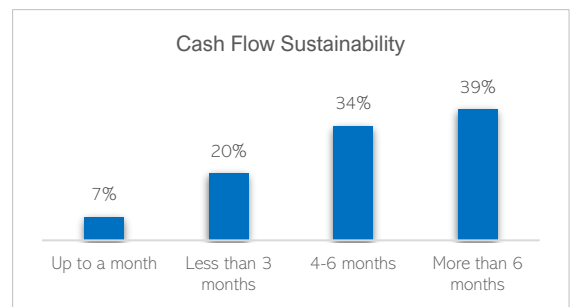
### CURRENT EMPLOYEE/WORKFORCE SIZE

From March 2020 to the present date (3Q2021), almost half (48%) of the CEOs opined that the overall employee/workforce size of their organization has remained generally the same. Another 25% have downsized theirs, while 23% have increased their staff during this period. Only 4% have severely reduced their workforce.



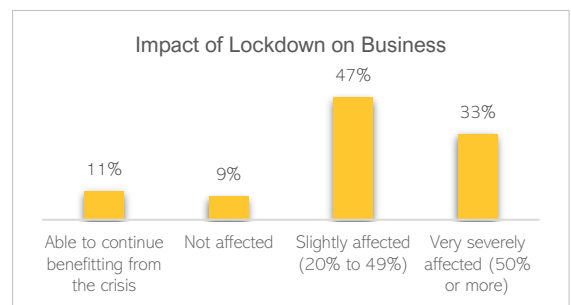
### CASH FLOW SUSTAINABILITY FOR BUSINESS OPERATION

On how long their company's cash flow can sustain their business operations, almost three quarters of the CEOs noted a period of at least four months from the date of responding to this survey. A breakdown among them shows that 39% are estimating a sustainability period of more than six months, while 34% assessed theirs at 4-6 months. Another 20% believed their cash flow can sustain their business operations for less than three months and 7% do not think theirs can last for more than a month.



### IMPACT OF LOCKDOWN ON BUSINESS

From our earlier survey of 2Q2021, 60% of the respondents indicated that they were able to benefit or were neutrally affected, while 40% were badly or very severely affected by the Covid-19 pandemic. A quarter on, respondents were asked about the extent of the impact of an extended or tightened lockdown on their businesses, to which most (47%) revealed that they were affected slightly (20% to 49%). 33% were "very severely affected" (50% or more) by the tightened lockdown, while 9% were not affected at all and 11% were even able to continue benefitting from the crisis.



## CASHFLOW, LABOUR, RAW MATERIALS, FREIGHT, SUPPLY CHAIN AND LOGISTICS

In view of the current situation, CEOs were asked of the impact of several factors on their business. Except for freight costs, most (42-52%) of them disclosed that the impact of their cashflow, labour shortage, raw material costs, supply chain disruption and logistics inefficiencies on their business was generally moderate.

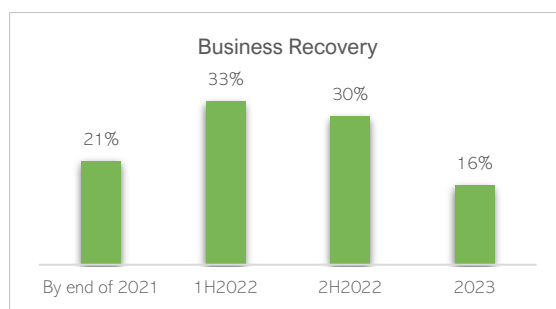
Multiple-fold increase in freight costs had severely impacted the business of 41% of the CEOs, while 36% described the impact on them as moderate. Cashflow issues have moderately impacted the business of 52% of the CEOs, while the impact on 35% was severe. The business of 44% of the CEOs was also moderately affected by labour shortage, but 36% were not impacted at all. Where the cost of raw materials is concerned, 40% had their business moderately impacted, while it was severe for another 37%. Supply chain disruptions moderately affected the business of 42% of the CEOs, but for 36%, the impact on them was severe. Logistic inefficiencies have also moderately and severely impacted the business of 48% and 29% of the CEOs, respectively.

According to some respondents, inconsistencies in government policies have also affected their businesses. Yet there were others who noted that the current situation has affected the mental health of their employees, causing high anxiety and stress amongst them that impacted their productivity. Payment deferrals and higher costs of manufacturing were also shared by some of the CEOs.

	Severely impacted	Moderately Impacted	Not impacted at all
Cashflow	35%	52%	13%
Labour shortage	19%	44%	36%
Raw material costs	37%	40%	22%
Freight costs increased multiple fold	41%	36%	22%
Supply chain disruption	36%	42%	21%
Logistics inefficiencies	29%	48%	22%

## BUSINESS RECOVERY

Given the timeframe and programme as outlined in the National Recovery Plan, most (33%) respondents expect their businesses to recover to pre-Covid levels in 1H2022. While 30% hope to achieve this in 2H2022, 21% believe they can do so by end-2021 and 16% are looking at 2023.



## COVID-19 VACCINATION

Regarding the on-going Covid-19 vaccination drive, 46% of the respondents have already received their first dose of vaccine, while 38% have duly received their first and second doses of vaccine to date. 10% have registered and are currently awaiting notification of their first dose of vaccine, and 5% have received their appointment for their first dose. Only 1% have no intentions of being vaccinated.

Most (91%) respondents have also polled their employees on their wish to be vaccinated or not as no one is safe until everyone is safe. Of this proportion, 80% said that 91-100% of their employees want to be vaccinated. Another 12% estimated that 81- 90% of their staff are also keen on being vaccinated.

31% of the respondents estimated that less than 50% of their employees have received their vaccination, while 34% believed that 81-100% of their staff have already been vaccinated and 32% presumed that 51-80% of their workforce were vaccinated so far.

## FLATTENING OF THE PANDEMIC CURVE

Respondents were asked how the flattening of the pandemic curve could predictably happen faster. Topping the list of suggestions was for companies with a fully vaccinated workforce to be allowed to work as normal. Ramped up vaccination with business as usual in non-red zones was the next popular suggestion, followed by ramped up vaccination with full lockdown and ramped up vaccination with less tightened lockdown.

## MITIGATING CONFUSION OF LOCKDOWNS

The management of the lockdown has been causing a lot of confusion and frustration amongst businesses and workers. To reduce such confusion, most respondents called for better co-ordination between the government authorities to provide clearer communication to the public. Expediting vaccinations for employers with large workforce of both local and foreign workers nationwide is highly suggested by respondents as well. More consultations with the private sector, including the Medical Association, Trade Associations, etc. is also recommended.



## 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 23,000 members worldwide.

Vistage Malaysia has more than 900 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.