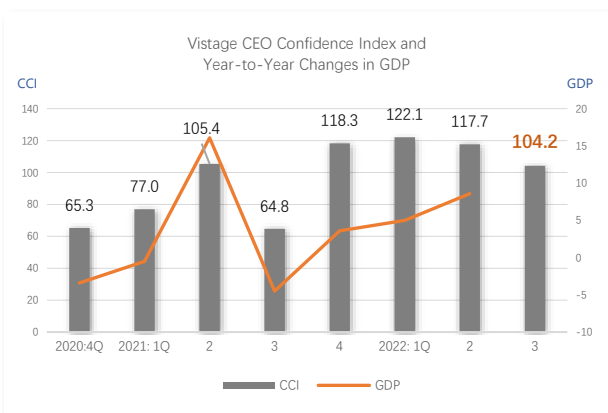


FLAGGING CONFIDENCE

Amid the uptrend in the growth momentum of the economy, upward price pressures, prolonged supply chain bottlenecks, and higher minimum wage and interest rates are weighing on CEOs' sentiments lately as they become increasingly cautious about the Malaysian economy and prospects of their businesses moving forward. Reflecting this is the latest Vistage-MIER CEO Confidence Index which, at 104.2, has tumbled for the second quarter in a row and lost 13.5 points on the quarter, an indication that confidence amongst CEOs has waned in recent months.



	4Q 2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	1Q 2022	2Q 2022	3Q 2022
VISTAGE-MIER CEO CONFIDENCE INDEX	65.3	77.0	105.4	64.8	118.3	122.1	117.7	104.2
Current Economic Conditions	15	39	112	18	108	138	143	123
Expected Economic Conditions	62	79	129	72	164	152	137	104
Expected Change in Employment	115	121	139	111	156	160	159	150
Planned Fixed Investment	96	108	130	94	145	148	148	137
Expected Revenue Growth	107	122	152	103	170	171	165	146
Expected Profit Growth	99	113	135	92	151	154	138	128

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

CEOs' assessment of the local economy in 3Q2022 is the least optimistic so far into 2022. The latest current economic conditions index fell 20 points quarter-on-quarter to 123, an inference of a growing concern amongst CEOs on the current state of the Malaysian economy. 49% of the 970 CEOs opined that the economy has improved in 3Q2022, down from 60% a quarter ago. 26% believed that the economy has fared worse recently, while another 25% have remained neutral on this. CEOs' near-term forecast of the economy is even more cautious.

Attesting to this is the expected economic conditions index which fell to 104 in 3Q2022, plummeting 33 points from the prior quarter. While 35% of the CEOs are anticipating the economy to improve in the coming months, 34% do not foresee a change anytime soon and 31% expect the economy to worsen by year-end.

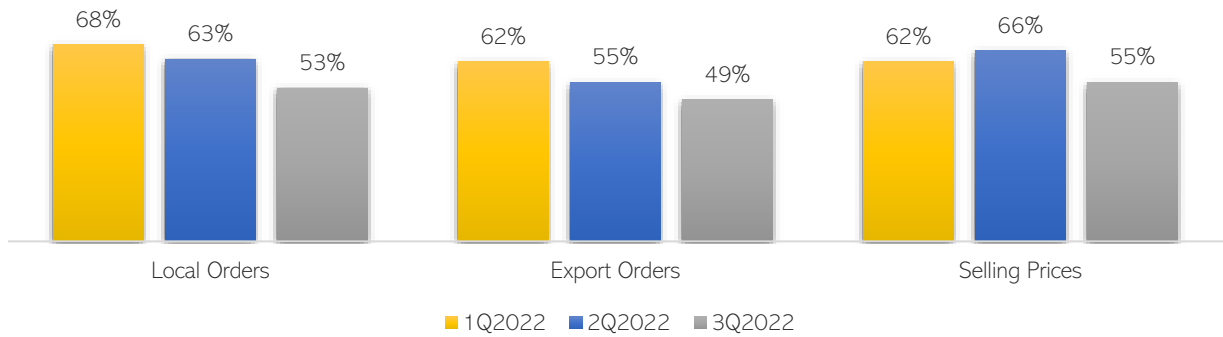
CEOs are adopting a more prudent outlook for their businesses in the near term as uncertainties continue to cloud the economic horizon, both at home and abroad. Not only are **capital investment and employment expected to take a breather, profitability and revenue are expected to abate in the coming months** as well. The latest expected index for capital investment (CAPEX) slumped to 137 from the preceding quarter's 148. 48% of the CEOs are contemplating pumping in more CAPEX soon, while 11% are planning otherwise, compared to 55% and 7% in 2Q2022, respectively.

The index for expected revenue shed 19 points from the previous quarter to 146 in 3Q2022. 60% of the CEOs are looking forward to higher revenues soon, down from 72% in 2Q2022; 14% had revised their forecast lower this time around, up from 7% a quarter ago.

The expected profitability index edged down 10 points from the prior quarter to 128 currently. 48% of the CEOs are expecting higher profits in the months ahead, down from 2Q2022's 53%.

The latest index for expected employment, at 150, has declined 9 points from 2Q2022, implying that **employment is expected to be less active in the next few months**. 57% of the CEOs are planning to increase their headcount soon, while 36% will likely maintain their existing workforce for the rest of 2022.

Order Forecast & Selling Prices



Both local and export orders are expected to slow down further in the coming months. This is indicated by the three-quarter low of 53% and 49% of the CEOs who are projecting an increase in local orders and export orders soon, respectively. Local selling prices are also moderating, with 55% divulging plans to adjust their prices higher in the next quarter, down from 66% in 2Q2022. Price cuts may also be imposed by 9% of the CEOs soon, up from 3% last quarter.

LOAN APPLICATION IN THE LAST 6 MONTHS

According to a survey by RAM-CTOS, 40% of SMEs had their loan applications rejected in 1H2022. When asked if any of them applied for any loans during this period, a clear majority of 65% said they had not. 30% applied and had their loan applications approved, while another 5% who applied were rejected.

IMPACT OF ANOTHER OPR HIKE ON PROFITS

In July 2022, Malaysia's central bank (BNM) raised its key interest rate by 25 basis points to 2.25%, its first consecutive hike in more than a decade to contain inflation. If BNM were to raise the Overnight Policy Rate (OPR) by a further 25 basis points before year end, majority (43%) of the CEOs believed that their profits would be moderately affected. 34% foresee a minimal impact on them, while the profits of another 12% are expected to be impacted significantly.

PROFIT SUSTAINABILITY/MAXIMISATION

The rising cost of doing business is a growing concern for businesses lately. To address the higher costs of inputs of their products in order to sustain or maximise their profit margins, 66% of the CEOs share the cost burden with their customers. Another 25% pass the total cost burden to their customers through price increases, while 9% bear the full cost increases by themselves.

HEDGING AGAINST FLUCTUATION OF USD VIS-À-VIS RM

For those CEOs who export and/or import, and are affected by the USD, they were asked how they hedge against the fluctuation of the USD against the RM. Most (39%) prefer to do nothing and leave their position open, while 29% maintain their USD or foreign currency account, and 17% engage in partial hedging of less than 50%. Switching to an alternative currency and forward contracts was disclosed by 9% and 6% of the CEOs, respectively.

RE-INTRODUCTION OF GST

As to whether the Goods and Services Tax (GST) should be re-introduced to replace the current Sales and Services Tax (SST) or not, an absolute majority of 71% voted in favour of it, with 59% suggesting a rate of 3%, while 23% and 18% proposed 4% and 5%, respectively.

If GST were re-introduced, two major suggestions were put forth by CEOs to help improve the operational efficiency of its procedures and implementation. 56% of the CEOs suggested that contras be allowed to offset their GST payments against their input tax credits, while 42% hoped that refunds can be expedited within 60 days.

BUDGET 2023 WISH LIST

Budget 2023 is scheduled to be tabled on 7 October 2022. Notwithstanding the numerous wishes listed by CEOs, the three that topped the list this year were provision of grants for automation and digitalisation, financing support for small- and medium-sized enterprises (SMEs) through the provision of grants, tax incentives and loans, and re-introduction of the GST.

Other wishes that were also popularly listed included allowing more foreign workers to Malaysia, reducing the corporate and personal taxes, providing export incentives for goods and services, offering tax incentives for foreign direct investments, and granting higher allocations for education, agriculture and health. There were also calls for a strengthening of the Ringgit.

IMPACT OF MANPOWER SHORTAGE

The current manpower shortage afflicting most organisations nationwide is affecting 63% of the CEOs, of which 39% are moderately affected, while the impact on 24% is severe. 27% are affected slightly, but it is a non-issue for 11% of the CEOs.

RECRUITMENT OF TALENT

Recruitment is a significant issue faced by most companies that are growing. As remuneration is one of the key criteria in recruitment, CEOs were asked about their average monthly package (including allowances) for fresh graduates in their organisations.

For fresh graduates with technical background (engineers, accounts, etc.), most CEOs pay up to RM3,500, with most (42%) offering a monthly package of RM2,500-3,000 and 23% providing an average package of RM3,000-3,500. While 11% provide more than RM4,000, packages of less than RM2,500 are offered by 12% of the CEOs.

For non-technical new job entrants (sales, administration, human resource, etc.), average monthly packages of up to RM3,000 are offered by most CEOs, with most (35%) providing packages of RM2,000-3,000. 27% offer RM2,500-3,000, while 15% and 6% provide packages of less than RM2,000 and more than RM3,500, respectively.

In terms of an effective Human Resource (HR) function to recruit, retain and develop their talent to support their businesses, most (42%) CEOs opined that their HR is functioning adequately, although there is room for improvement. Another 16% believed that their HR is effective in their function, while 23% said otherwise. 19% would like to be able to glean more HR improvement ideas from workshops and seminars.

CURRENT VACCINATION STATUS

Given the new wave of the various variants of Covid-19, CEOs were asked to indicate their current status of vaccination. Majority (59%) of the CEOs have received their Booster 1 and only 5% have not gone for the booster so far. 27% have also received their Booster 2, but 9% have no intentions of taking this Booster anytime soon.

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.