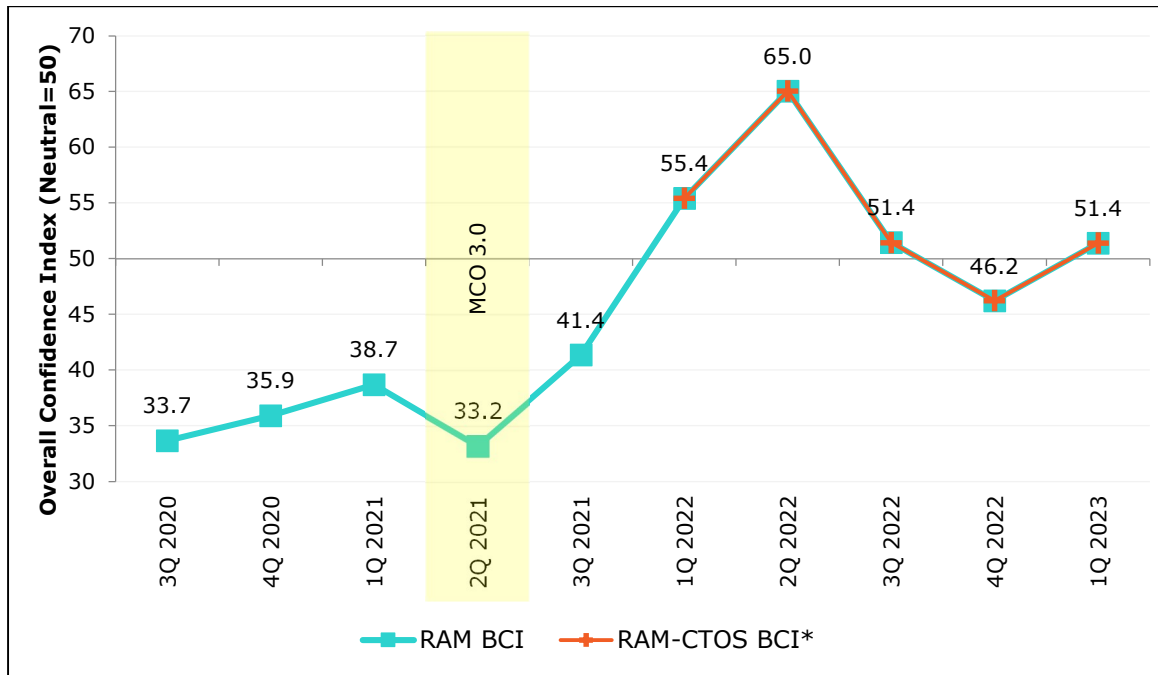


RAM-CTOS BCI: Nascent uptick in business sentiments in 1Q 2023

KUALA LUMPUR, 5 April 2023 – Business sentiments for 1Q 2023 improved as challenges faced by firms eased slightly. The overall RAM-CTOS Business Confidence Index (BCI) for 1Q 2023 rose to 51.4 from 46.2 in the previous quarter. An index of 50 delineates positive and negative sentiments. While sentiments across several sub-indices showed improvement, firms remain pessimistic on their profitability outlook (sub-index reading: 40.4) amid elevated cost pressures. Of the 122 firms polled in 1Q 2023, chiefly small and medium enterprises, almost 80% are grappling with rising costs as their top challenge.

Figure 1: Overall sentiment improved after declining for two quarters



* The RAM-CTOS sub-index commenced in 1Q 2022. Data points prior to this are derived from the main RAM BCI. The threshold that indicates positive sentiment is 50.
Sources: RAM BCI and RAM-CTOS BCI

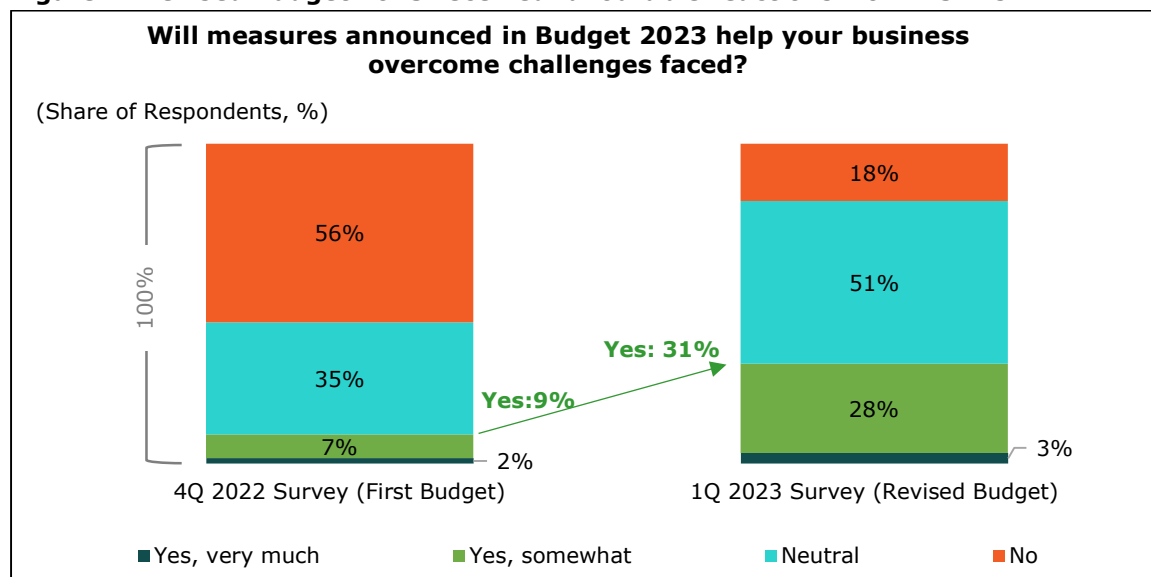
“In 1Q 2023, CTOS SME subscribers accessed 30% more business reports as compared to same period last year. Businesses carrying out additional due diligence on new customers and re-evaluating existing customers is a good indicator that they are ramping up operations and productivity, which is in line with the RAM-CTOS BCI business sentiment findings” commented Erick Hamburger, Group CEO of CTOS Digital Berhad.

"The return to positive sentiment this quarter is a good sign for the economy as SMEs play a crucial role in driving economic growth. At CTOS, we are committed to supporting SMEs in their growth journey by providing them with the necessary financial solutions and credit information to make informed decisions" he added.

Surveyed firms more receptive to revised Budget 2023

The recently tabled revised Budget 2023 was generally well-received by respondent firms and may have partly contributed to the better sentiments in this survey. About 30% of firms polled thought measures in the revised budget would help their business – a much higher figure compared to the 9% in the 4Q 2022 survey, for the same question. Some 18% of respondents did not find the revised budget helpful, a markedly lower number in contrast with 56% in the previous quarter. Not surprisingly, the more positive reaction may be attributed to the slew of "goodies" announced, particularly for micro, small and medium enterprises (MSMEs). The revised Budget 2023 is the largest on record, with an allocation of RM386.1 bil, which includes measures like the cut in the corporate tax rate and various loan and financing schemes for MSMEs.

Figure 2: Revised Budget 2023 received favourable reactions from MSMEs



Source: RAM-CTOS BCI

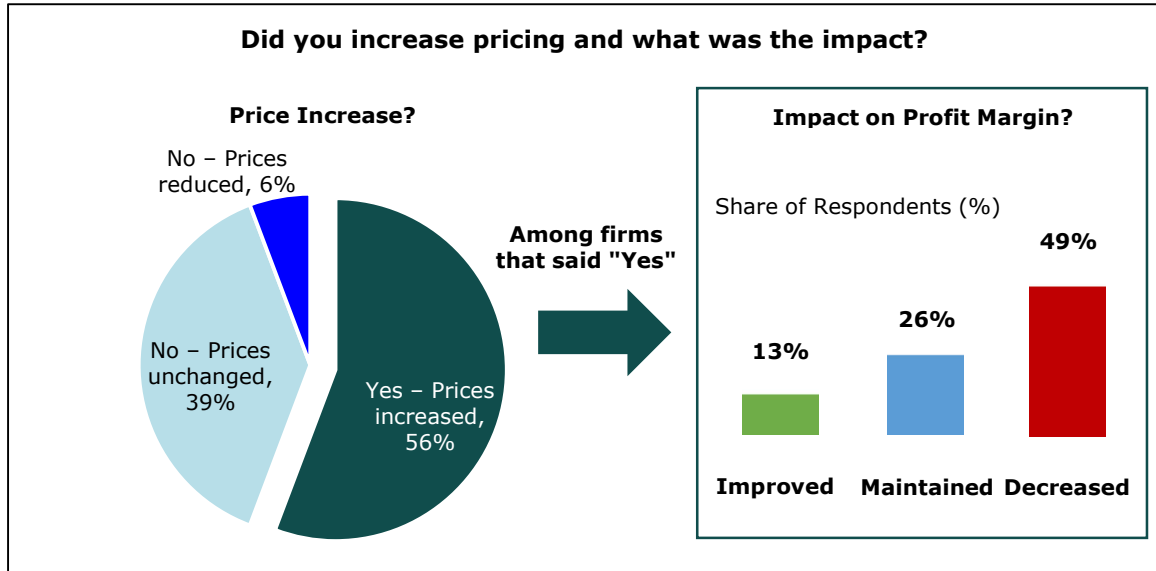
Elevated costs still the bane of SMEs

The majority of firms surveyed (56%) increased prices in the last six months to combat rising costs. This was, however, inadequate to fully arrest earnings deterioration. Of the respondents that initiated price increases, around half still reported narrower profit margins. Most likely, firms had not fully passed on cost

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increases for fear of losing customers. Indeed, the survey found that 43% of firms that raised prices experienced customer churn.

Figure 3: Price increases insufficient to meet rising cost; margins on downtrend



Source: RAM-CTOS BCI

Policy support remains crucial for MSMEs to meet current challenges

Notwithstanding the improvement in business prospects in 2023, elevated cost pressures remain the current significant hurdle for MSMEs. "The slew of policy measures in the revised Budget 2023, which were generally well-received by MSMEs, would help them overcome these challenges. The measures, particularly loan and financing schemes, need to be made easily accessible and disbursed expediently to qualifying firms to support their viability", highlights Chris Lee, Group CEO and Executive Director of RAM Holdings Berhad.

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The RAM-CTOS Business Confidence Index (RAM-CTOS BCI) is a comprehensive survey jointly conducted by RAM and CTOS, starting 1Q 2022, on forward looking business sentiment and topical issues faced by the small and medium business community in Malaysia. Released quarterly, the index offers a timely barometer of future economic activity to guide businesses' investment decisions and planning as well as provide inputs for strategic policymaking by various stakeholders of the economy. This is done through the indication of positive and negative sentiment on five key aspects that are pertinent to their business operations over the next three months. The five business aspects surveyed are turnover, profitability, hiring, capital investment and capacity utilisation. An index value of 50 is the neutral benchmark while a value above 50 indicates positive sentiment by the firm; below 50 shows negative sentiment.

About RAM Holdings Berhad

RAM Holdings is a leading provider of independent credit research and advisory services. RAM Holdings (formerly known as Rating Agency Malaysia Berhad) was established in November 1990 as a catalyst for the domestic debt-capital market and as the nation's first credit-rating agency. Its shareholders comprise both local and foreign financial institutions. On 1 July 2007, the rating operations were novated to a newly formed subsidiary, RAM Rating Services Berhad (or RAM Ratings). Today, RAM Holdings spearheads the cultivation of new businesses and continues to provide training as well as economic research that promotes financial and credit expertise, in addition to soft skills. For more information, log on to www.ram.com.my

About CTOS

CTOS is Malaysia's leading registered Credit Reporting Agency (CRA), regulated by Ministry of Finance under the Credit Reporting Agencies Act 2010. Established in 1990, CTOS facilitates credit extensions by empowering individuals and businesses with access to crucial information at greater ease and speed. CTOS delivers a complete portfolio of credit risk management solutions and services and is widely used by the country's banking and financial institutions, insurance companies, telecommunication companies, large corporations, SMEs, legal firms and state bodies. For more information, visit our website at www.ctoscredit.com.my

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