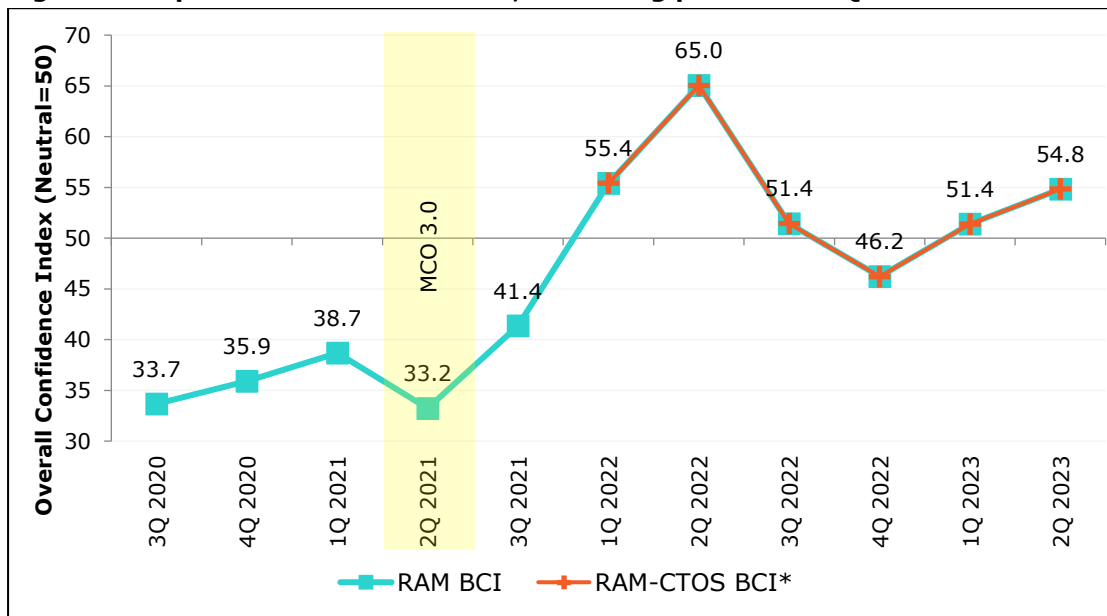


RAM-CTOS BCI: Sustained optimism in business sentiments

KUALA LUMPUR, 5 July 2023 – The RAM-CTOS Business Confidence Index (BCI) continues to rise, climbing to 54.8 in 2Q 2023 from 51.4 in the previous quarter. This indicates businesses remain sanguine about prospects for the next three months. The improvement in sentiment was led by the positive outlook for sales and profitability, the latter finally reverting to a positive reading (51.6) after languishing in pessimistic territory in the last three quarters. Following a round of price increases in late 2022 to maintain margins, the cost pressure faced by businesses may have started to ease this year.

Figure 1: Improved overall sentiment, remaining positive in 2Q 2023



* 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

MCO = Movement Control Order

Commenting on the improved sentiment, Erick Hamburger, Group CEO of CTOS Digital Berhad said “CTOS SME subscribers accessed 5% more credit reports in 2Q 2023 compared to 1Q 2023 to evaluate new customers, which is a good indicator that they are ramping up operations and productivity, in line with the improved 2Q 2023 BCI sentiment. The average CTOS SME Score has also risen by two points from 307 in 1Q 2023 to 309 in 2Q 2023, which means that the average Malaysian SME has a “Good” credit standing which is important to get access to credit.”

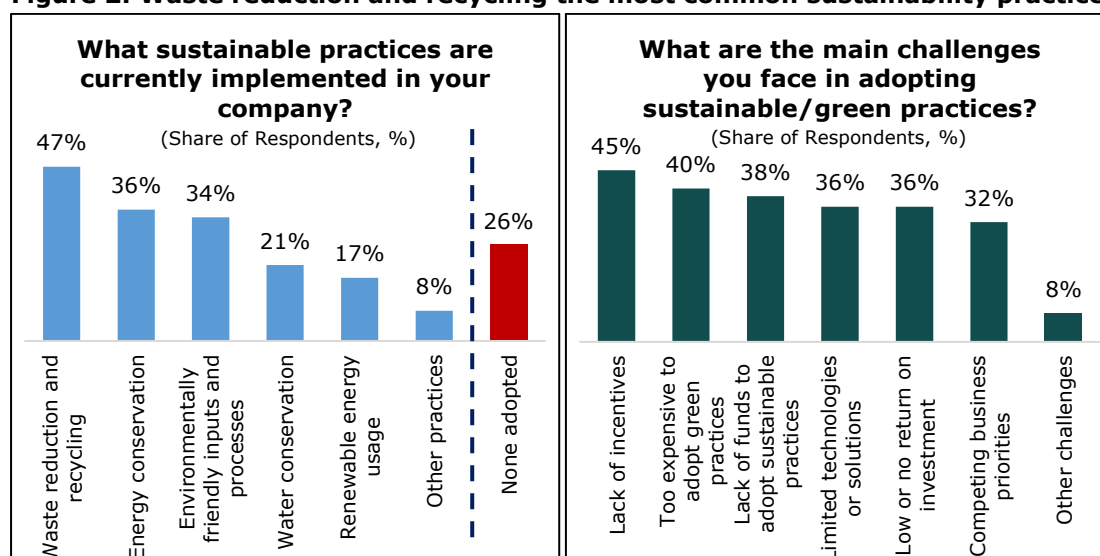
With sales picking up in 2023, firms may be able to shift from being merely in survival mode to growing their business again. Aside from pursuing operational

improvements, an increasingly important development that businesses should heed is sustainability practices. "In particular, firms with export dealings or that are part of the global supply chain will have to comply with new global and domestic environmental, social and governance (ESG)-related regulations that are being rapidly introduced," said Chris Lee, RAM Holdings Berhad Group CEO and Executive Director.

Most firms observing some sustainability practices

Of the 146 firms surveyed in 2Q 2023, about 75% said they had adopted at least one sustainability practice, with waste reduction and recycling the most cited. Not surprisingly, ESG practices are more common among firms that are part of a global supply chain (80%), which might need to meet clients' compliance requirements, compared to those that are not (68%). Energy and resource conservation initiatives are also popular among firms surveyed.

Figure 2: Waste reduction and recycling the most common sustainability practices



Source: RAM-CTOS BCI

Strong interest in ensuring sustainability practices in business

A quarter (26%) of respondents have not adopted any sustainability practice. This is more prevalent among small and medium enterprises (SMEs) (27%) and micro firms (30%) which face various impediments to progress on this front. A lack of incentives was the most common hurdle, as cited by 45% of firms surveyed. Some 40% of respondents said it is too expensive to adopt green practices.

However, over half of the firms surveyed, particularly those with multinational clients, are keen to further adapt to sustainability initiatives to become ESG-



Media Release

compliant. Nevertheless, the cost of compliance is a concern.

Analytical contact

Woon Khai Jhek, CFA
(603) 3385 2512
khaijhek@ram.com.my

Media contact

Norine Erica MJ
(603) 2722 8806
norine@ctos.com.my

Date of release: 5 July 2023

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, a value of above 50 indicates positive sentiment, and 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 the 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

No statement in this paper is to be construed as a recommendation to buy, sell or hold securities, or as investment advice, as it does not comment on the security's market price or suitability for any particular investor.

Published jointly by RAM Holdings Berhad and CTOS Data Systems Sdn Bhd
© Copyright 2023 by RAM Holdings Berhad and CTOS Data Systems Sdn Bhd