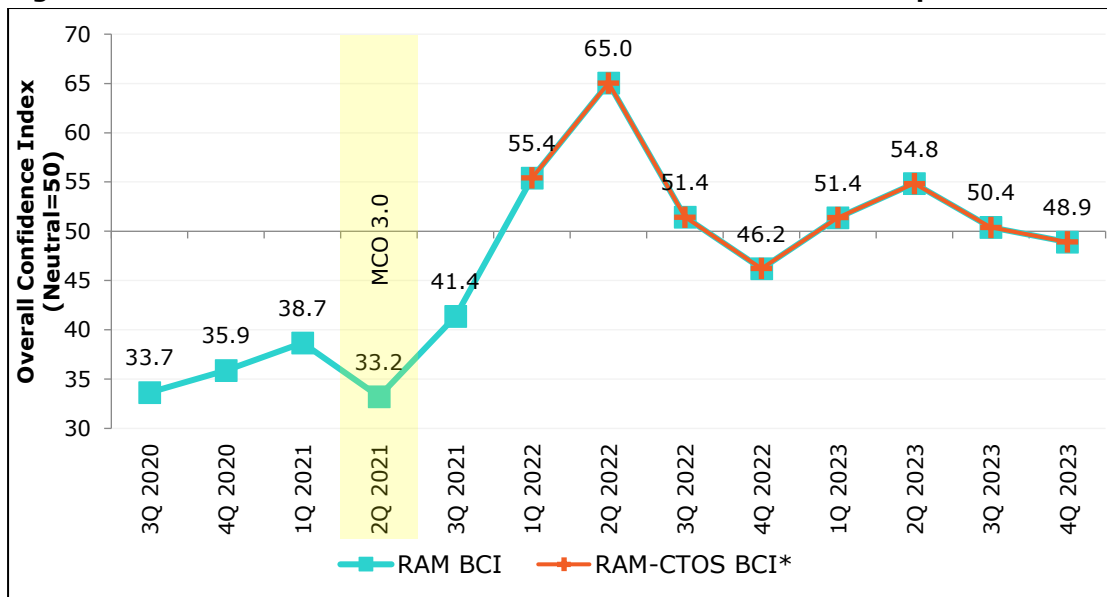


RAM-CTOS BCI: Business sentiments less optimistic heading into 2024

KUALA LUMPUR, 19 December 2023 – The RAM-CTOS Business Confidence Index (BCI) declined for the second consecutive quarter in 4Q 2023, pulled down by the negative sentiments of micro, small and medium enterprises (MSME) respondents. The overall index fell to 48.9 from 50.4, signalling pessimism about business prospects in the next three months. Bearish sentiments were particularly pronounced for MSMEs. Expectations for sales growth, profitability and capacity utilisation were weak across the board. Rising costs of doing business and weaker economic growth were the key reasons attributed by the 141 firms polled for this survey.

Figure 1: Business sentiment weakened for the second successive quarter



* 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

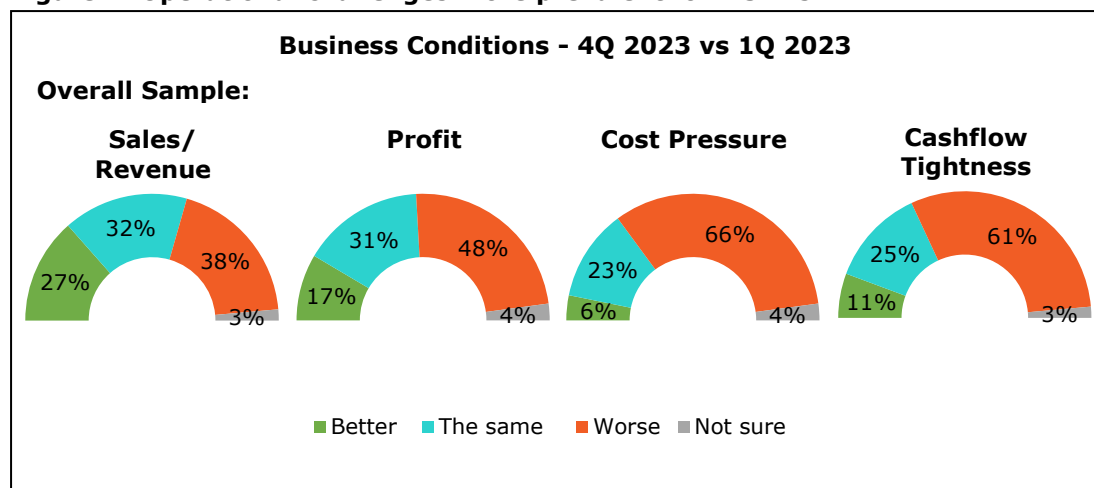
MCO = Movement Control Order

Cost pressures continue in 4Q 2023

Business conditions largely worsened among surveyed firms towards the latter portion of the year. Nearly 40% and 50% of respondents reported lower sales and profit in 4Q 2023 compared to 1Q 2023. This is particularly acute among MSMEs as costs continue to inflate, with limited ability to fully pass on cost increases to customers. In contrast, corporate firms that made up about 30% of this survey’s respondents fared better, with a bigger share of firms reporting higher sales and

profits at the year end than in 1Q 2023. MSMEs also faced tighter cashflow and access to financing during this period than corporates.

Figure 2: Operational challenges more prevalent for MSMEs



Source: RAM-CTOS BCI

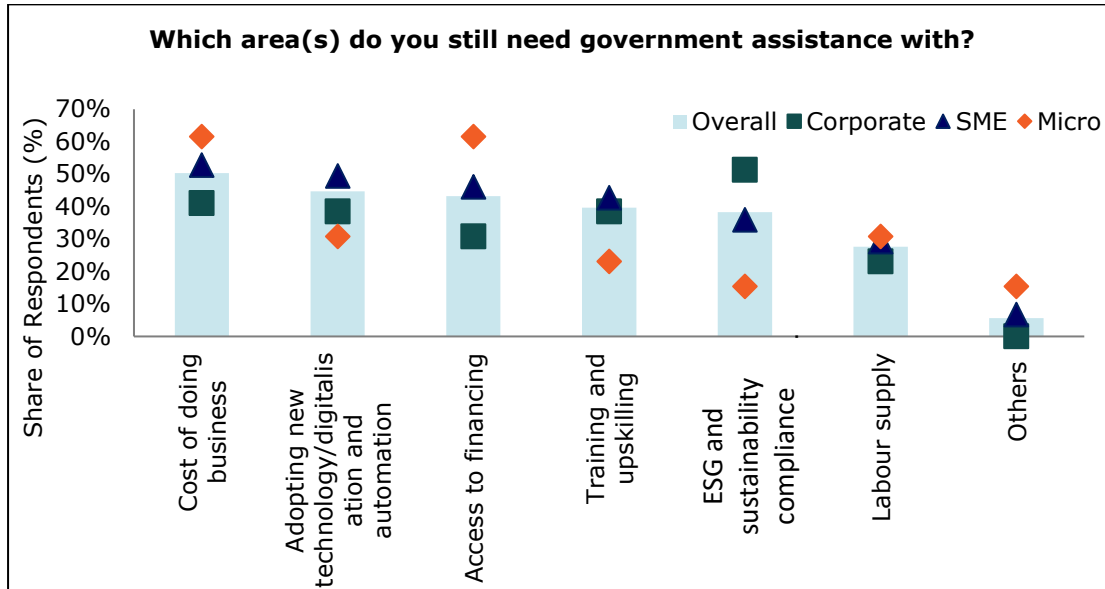
Smaller firms rely more on financial support

While around half of respondents would welcome government assistance in dealing with the rising cost of doing business, their needs differ. Financial assistance is most needed by micro firms, while for SMEs and larger companies, support for business enhancements, including automation and training are more relevant as they move up the value chain.

The survey’s findings underscore the necessity for a tailored approach in addressing the diverse needs of businesses. While financial aid remains crucial for MSMEs, the SMEs and larger corporations seek support in enhancing their operations, including automation and upskilling to navigate the evolving business landscape. At CTOS we'll focus on leveraging our strengths to support the broader business ecosystem, offering various innovative solutions to mitigate cost pressures and enhance cashflow such as CTOS Credit Manager, CTOS eKYC digital onboarding solutions, CTOS Application and Decisioning platform and so on. It is also worth noting that in Budget 2024, the government is offering substantial funds to assist SMEs in digitalisation, providing a unique opportunity for businesses. Therefore, it is crucial for businesses to adapt and take advantage of this funding,” commented Erick Hamburger, Group CEO of CTOS Digital Berhad.

Media Release

Figure 3: Assistance needed varies across firm size



* Percentages sum to more than 100% as firms are allowed to pick more than one response

Source: RAM-CTOS BCI

Government assistance to be better communicated for effective outreach

The government is cognizant of supporting MSMEs, given their sizable contribution to the economy. The recent Budget 2024 announced various grants and schemes to support and strengthen MSMEs. However, our survey indicated that accessing these support programmes remains a challenge, particularly for micro firms. For instance, close to 70% of micro firms do not plan to utilize the automation and training schemes announced under Budget 2024 and the main reason cited was simply not knowing where and how to apply for these schemes. For SMEs, around 80% intend to utilize the schemes for automation and/or training and around a quarter expressed facing similar barriers to access.

“Government schemes are needed to support MSMEs to scale up and innovate, but they should be preceded by effective communications and outreach programmes to reach the right target groups. Onboarding and administrative processes should also not be overly complex or cumbersome for applicants,” said Chris W.K. Lee, RAM Holdings Berhad Group CEO and Executive Director.

Analytical contact

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

Media contact

Sakinah Arifin
(603) 3385 2500
sakinah@ram.com.my

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

Date of release: 19 December 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,



Media Release

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