



## 2Q2012 VISTAGE-MIER CEO CONFIDENCE INDEX

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### CEO CONFIDENCE STILL GROWING, ALBEIT MORE CAUTIOUSLY

In 2Q2012, CEO optimism on the outlook of the Malaysian economy as well as prospects for their own firms rose slightly. The Vistage-MIER CEO Confidence Index extended its rise in the second quarter, notching in at 97.8 points, up from the previous quarter's 93.5. That quarter-on-quarter increase implies a 4.6 per cent increase in confidence among surveyed CEOs. In the previous quarter, the increase in confidence had been a more significant 13.3 per cent.

Four of the six component indices of the Confidence Index showed quarter-on-quarter improvements. What is more important, all of the six component indices remained lower year-on-year. Of the 315 respondents, 14 per cent of CEOs surveyed (compared to 11% in the previous quarter) believe that overall economic conditions in Malaysia improved compared to a year ago. When asked about anticipated changes in economic conditions over the next 12 months, 21 per cent (compared to 18% previously) said they expect conditions to improve.

The higher proportion of optimists among CEOs in the second quarter is obviously no confirmation that the economy is on the verge of another rebound soon. During the first two quarters of 2010 when GDP growth was at its most recent high, more than 50 per cent believed current economic conditions had improved, as well as economic conditions will improve going forward.

The survey results suggest that CEOs anticipate stable revenue growth, and slightly better profit growth over the next 12 months. Just like in the previous quarter, 59 per cent expect revenue growth to increase going forward. As for profits, 51 per cent (compared to 46% previously) foresee rising profits. CEOs also expect their capital spending growth to be relatively stable. Forty-two per cent of surveyed CEOs indicated that they expect their firm's capital expenditure to increase over the next 12 months; that figure has hardly changed from the previous quarter's 43 per cent. As for headcount going forward, 50 per cent (compared to 45% previously) expect to hire more employees in the coming year.

### ATTRIBUTES FOR BRANDING INITIATIVE

In last quarter's survey question on which local company CEOs would like to emulate in terms of branding excellence, Air Asia collected the most votes. When asked to pick from a list which of Air Asia's attributes (or equivalent attributes peculiar to their organization or industry) they would like to emulate or pursue in their branding initiative, slightly more than one in two (54%) picked "possessing a globally recognized brand." The attribute "credibility" came in a close second at 50 per cent, while "quality-safety, on-time performance" came in third at 48 per cent.

### BANK CREDIT LINES

Survey results show that 17 per cent of CEOs surveyed over the last six months had difficulties getting new credit lines or renewing their existing ones. 16 per cent of companies in "Industrial Markets - Manufacturing & Production of Industrial & Automotive Products," the largest industrial grouping in the survey sample, experienced difficulties. As for the second and third largest grouping, i.e. "Construction & Property - Building &

	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012
VISTAGE-MIER CEO CONFIDENCE INDEX	118.1	111.9	93.3	82.5	93.5	97.8
<b>COMPONENTS</b>						
Current Economic Conditions	136	124	88	63	82	91
Expected Economic Conditions	133	122	84	62	78	93
Expected Change in Employment	149	147	137	135	136	141
Planned Fixed Investment	148	146	127	118	130	130
Expected Revenue Growth	172	162	144	131	149	148
Expected Profit Growth	155	145	125	115	132	136

*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.*

Construction" and "Consumer Markets - Other Consumer Products," the proportions of respondents indicating that they experienced credit line difficulties were 30 per cent and 39 per cent respectively.

### BUSINESS STANCE AHEAD OF IMPENDING GENERAL ELECTION

Ahead of the impending General Election, most of the CEOs surveyed (72%) are carrying on their businesses as usual, including business expansions where required. Only 13 per cent indicated that they have put on hold investment / expansion plans. This shatters the myth that investors are putting on hold their investment plans in the run-up to the General Election.

### MAXIMIZING TECHNOLOGY USE TO INCREASE COMPETITIVENESS

In the last quarter's survey, 72 per cent of CEOs responded that they do not have or are not sure whether they have in-house expertise to identify gaps in their efforts to maximize the use of technology to increase competitiveness. To this end, when asked to pick from a list what they think they would find useful, 41 per cent picked "specialist consultants/advisors," while 27 per cent picked "experience sharing by Vistage members who have successfully implemented technology solutions."

### INVESTING IN MYANMAR

In Myanmar, changes are under way to overhaul investment laws, and multinational companies have started getting interested, even though infrastructural issues and other problems remain. When asked about their plans in Myanmar, nearly three-quarters (73%) of surveyed CEOs indicated that they have no plans as yet. As expected, Myanmar will be a new export market for some, as indicated by 15 per cent of CEOs. Only 10 per cent indicated that they plan to invest in Myanmar.

### THE COMPETITION ACT

The Competition Act came into force on 1st January 2012. When asked what they have done to better understand the Act, 31 per cent indicated having attended conferences/seminars, while 14 per cent have appointed someone to look into the Act's implications on their organization. Slightly more than one in two (55%) said they believe the Act will not have any impact on them.



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## CORRUPTION AND CRIME IN MALAYSIA

CEOs were asked, based on their on-the-ground experience over the last 12 months, about the incidence of corruption in Malaysia. Nearly four in five (78%) said that the situation remained unchanged, while about one in five (21%) said that there has been a slight improvement. As for the crime rate in Malaysia, slightly over one in two (53%) believe that the situation has remained the same, while nearly one in three (33%) believe that it has gone up.

## THE ISKANDAR DEVELOPMENT REGION

There has been a resurgence of interest in the Iskandar Development Region. However, only slightly more than a quarter (26%) of CEOs surveyed has taken steps to explore opportunities in the region while more than two-thirds (67%) said they are not interested.

## CORPORATE GOVERNANCE

Corporate governance is broadly defined as the presence of quality of independent non-executive directors, effectiveness of audit committees, high standard of internal controls and risk management, timeliness and transparency in disclosure of information, etc. In this survey, CEOs were asked about the practice of corporate governance in public listed entities. The majority, over two-thirds (68%), are of the opinion that corporate governance is inadequate in Malaysia.

## CONSULTATIONS WITH STAKEHOLDERS

When asked whether the Government holds effective and adequate consultations with all stakeholders before it embarks on any major public project, e.g. projects under the KL Master Plan that include the MRT and the KL International Financial District, four in five said "no". Other comments and observations included the following: 1) Communication/advanced notice need to be improved; 2) More transparency needed with regard to the awarding of projects.

## PERSONAL INVESTMENT PLANS

Real estate seems to be the perennial favourite with CEOs. Just like in the previous quarter, local real estate topped the list of favourites, this time with 41 per cent (43% previously) of responding CEOs voting for it. Fixed deposits/cash is second on the list with 38 per cent (34% previously), while equities is third with 31 per cent (35% previously).

## ABOUT THE VISTAGE-MIER CEO CONFIDENCE INDEX

Vistage Malaysia has been conducting the Confidence Index since 2nd quarter 2003. Effective 4th quarter 2005, Vistage Malaysia entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the Confidence Index under a joint effort known as the VISTAGE-MIER CEO Confidence Index.

Vistage Malaysia's membership comprises businesses and companies with annual sales between RM5 million to RM1 billion. Today, it has more than 380 members in more than 65 different businesses. The opinions of these CEOs provide a clear snapshot of their current economic market as well as industry trends and

their plans for growth over the next 12 months. The VISTAGE-MIER Index is a compilation of responses from these Vistage Malaysia CEOs, of whom 70% are small to medium sized companies and is the only comprehensive report of their opinions and projection. These insights provide a leading indicator for employment, capital expenditure, sales and revenue trends. Each quarter, Vistage International polls its membership in Malaysia, United States, Canada, United Kingdom and Australia.

## ABOUT VISTAGE INTERNATIONAL, VISTAGE MALAYSIA AND MIER

Founded in 1957, Vistage International ([www.vistage.com](http://www.vistage.com)) provides business leaders with tools to outperform both the competition and their own goals. The comprehensive toolset includes peer-group sessions and one-on-one executive coaching for the sharing of best practices and opportunities to seek confidential help in critical situations.

Vistage's professional development model also includes access to world-class business experts, and a global community of more than 15,000 members. Vistage member companies have revenues between US\$1 million and US\$1 billion, and combined have a total of more than US\$300 billion in annual sales and more than 3.1 million employees. They outperform the Fortune 500, the S&P 500 and the 14 million companies in the ARC Analytics database. In addition, Vistage member companies grow, on average, 2.5 times faster than they did prior to joining Vistage.

Vistage Malaysia has offices in Kuala Lumpur (603-22842199), Penang (604-6426799) and Singapore (65-63398505).

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 the private sector. It is committed to serve the government and private sectors as well as the public at large by providing an objective and impartial understanding of socio-economic issues of national, regional and global importance.

If you are an ex-CEO or business owner with a well-established network and a passion to help CEOs and Business Owners change and grow in their business and personal lives, Vistage would like to speak with you. As a Vistage Chair, you will be able to:

- Inspire CEOs and Business Owners to become better leaders
- Positively impact the business community
- Achieve greater prestige and recognition in the community



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