



4Q2013 VISTAGE-MIER CEO CONFIDENCE INDEX

CONFIDENCE FALTERS

CEOs' confidence in the Malaysian economy is dropping, and they are now looking at the prospects of their firms more closely than before. This can be deduced from the latest Vistage-MIER CEO Confidence Index which plummeted to a two-year low of 87.3 points in 4Q2013, far below the optimism threshold level of 100 points.

Of the 323 respondents, only 7% were of the view that overall economic conditions in the country have improved lately, down from 18% polled a quarter ago and 9% in 4Q2012. Almost half (49%) of them saw no change in the economy, while another 44% thought that it has worsened in 4Q2013. Economic expectations are equally tepid. Most (47%) of the respondents expect the economy to remain the same in the next twelve months, while 37% are negative and only 16% foresee an improvement soon.

Declining trends are also observed for the other forward-looking indexes included in the survey. The expected change in employment and planned fixed investment indexes stood at 127 and 121 points this time, down from 144 and 134 in 3Q2013, respectively. Only 39% and 37% of the respondents are planning to increase their fixed investment expenditure and hiring early next year, compared to 45% and 51% a quarter ago, respectively. Sales revenue and profitability growth are also expected to slow down in 1Q2014.

IMPACT OF EXTERNAL DEVELOPMENTS

Based on a list of selected economies, respondents were asked to indicate their impact on their organizations as positive, negative or none at all. Latest data from China and Japan show growth slowing, but the U.K. and U.S. economies are accelerating, while India's economic performance remains weak. Gross domestic product across the 17-nation Eurozone grew for the first time since 3Q2011, by 0.3%, in 3Q2013.

Overall results are flat with majority of the respondents replying "no impact". In terms of positive responses, technology obtained the highest votes in all the selected economies, while most of the negative responses were received for imports. Except for the US, most respondents see no impact of the economic developments in the EU, Japan and China on the Ringgit.

Japan's economic developments generally have no impact on respondents' imports, exports, investment and technology, with 82%, 84%, 87% and 79% stating so, respectively. The impact of China's economic developments on respondents' businesses yielded similar results. Most of them said there is no impact on them in the areas of investment (77%), technology (74%), exports (69%) and imports (54%).

Most Malaysian companies are not impacted by developments in the EU economy either, with 83% of the respondents unanimously affirming that their investments there are not affected at all. About 74% also do not see any impact of European technology on their businesses, neither is there any impact on their exports (71%) and imports (68%). Similarly, most (78%) of the respondents also do not think that there is any impact of the US economic developments on their investment, technology (74%), exports (66%) and imports (63%). The impact on the Ringgit is, however, viewed negatively by majority (44%) of the respondents polled.

	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013
VISTAGE-MIER CEO CONFIDENCE INDEX	92.5	91.7	99.7	104.4	100.9	87.3
COMPONENTS						
Current Economic Conditions	78	71	91	94	90	63
Expected Economic Conditions	79	83	102	119	101	79
Expected Change in Employment	134	134	136	143	144	127
Planned Fixed Investment	133	126	133	138	134	121
Expected Revenue Growth	142	149	155	158	153	144
Expected Profit Growth	133	130	137	137	141	126

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.

BUSINESS PLANS IN THE NEXT THREE YEARS

For the next three years, 71% of the CEOs surveyed plan to grow their businesses, while 32% will restructure theirs and 19% will be maintaining their existing level of operations. Only 9% and 5% will be relocating and scaling down their businesses, respectively. Another 2% have other options in the pipeline: different business model venture or re-engineering, new market diversification, business re-development and re-investment, as well as technology upgrade.

CHINA-MALAYSIA BILATERAL COOPERATION

The recent visit by China's President Xi Jinping to Malaysia is expected to boost bilateral trade volume, with the five-year economic and trade cooperation plan focusing on agricultural, telecommunications and infrastructure development. This development, according to 49% of the respondents, will have a positive impact on their businesses, while 5% replied otherwise and 46% imagined there would not be any impact on them.

THE GOODS AND SERVICES TAX (GST)

Effective 1 April 2015, the Goods and Services Tax (GST) will be enforced at 6%, a rate concurred by 15% of the CEOs polled. A clear majority of 62%, however, opined that the GST should preferably be pegged at 4%, while 21% were for 5%, and only 1% each for 7% and 8%.

On the timeframe for the implementation of the GST, majority (34%) noted that twelve months from its official announcement would be appropriate, while 26% thought that 18 months would be best, another 26% preferred 24 months and 12% opted for 15 months.

DROP IN CRIME AND SNATCH THEFTS

According to the police, there has been a decrease in crime across the board since the launch of their Ops Cantas operations in August. Only 16% of the respondents believe this to be the case, while 56% see no change in the nation's crime rate and 28% even thought that it has risen lately.

In view of the increased frequency of snatch thefts which caused severe injuries and, in some incidents, deaths of innocent victims, respondents suggested the following as necessary measures to reduce this crime in the country: increase police personnel/presence/patrols in high-risk areas, beef up enforcement, install more closed-circuit cameras and television (CCTVs) on the



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streets and high-risk areas, more stringent control on foreign labour, impose stricter punishment on criminals, curb corruption within the police force and enforcement agencies, control motorcycle access in high-risk areas, improve economic conditions and increase employment opportunities, and increase public awareness on safety through education.

MALAYSIA AS A TOURIST DESTINATION

In 2012, Malaysia recorded tourist arrivals of 25.03 million, the highest in the region. To ensure that tourists to the country stay longer and spend more, 87% of the respondents felt that safety and security in the country should be improved, while tourist attraction spots should be maintained (77%), tourist information and assistance should be improved (61%), and better and cleaner public toilet facilities should be provided, including at eateries (60%). Another 6% of the respondents called for, among others, the offer of more attractive tourist packages and an improvement in public transportation.

WASTAGE AND LEAKAGES OF PUBLIC FUNDS

In response to the recent Auditor-General's Report 2012 of blatant wastage and leakages of public funds, 85% replied that they did not expect any timely remedial action from the authorities to be forthcoming.

HIRING AND REPLACEMENT OF EMPLOYEES

In their hiring or replacement of employees, most respondents (38%) cited the lack of the required skills and experience as their biggest problem for positions at the operator/shopfloor level, supervisory level (55%), managerial-technical (48%) and new graduates (68%), while salary/wages are their main concern at the managerial-professional level, with a majority of 47% saying so. In their hiring of new graduates, besides the lack of skills and experience, language proficiency is another major problem faced by 62% of the respondents.

For middle/senior management positions, however, half of the CEOs are more inclined to hire a graduate with a first degree, while 34% do not deem it necessary to hire holders of degrees.

ATTRIBUTES OF JOINING VISTAGE

Of the many attributes CEOs have developed since joining Vistage, strategic thinking was attested to by 95% of the respondents, leadership skill (93%), willingness to empower their people (89%), listening skill (88%), ability to hold their people accountable (80%), work life balance (73%) and time management (71%).

INVESTMENT PLAN IN 6 MONTHS

As in 3Q2013, most (44%) respondents plan to invest in local real estate in the first half of 2014, 40% in fixed deposits, 35% in equities, 26% in unit trusts/mutual funds, 13% each in foreign real estate and gold/gold futures, and 7% in bonds.

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 430 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 & MIER

Founded in 1957, Vistage International (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 16,000 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

