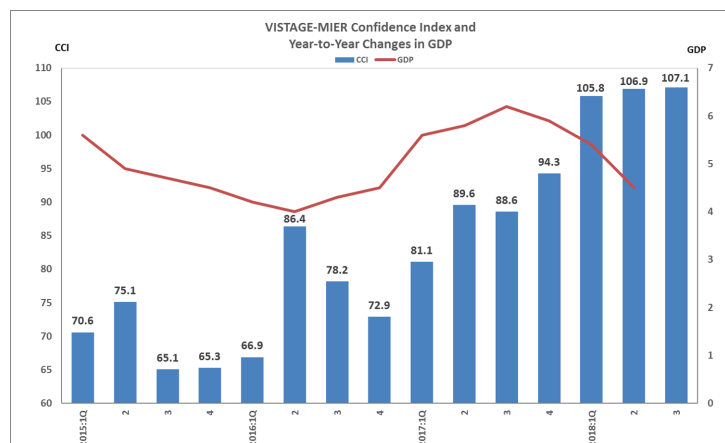


CONFIDENCE PICKS UP CAUTIOUSLY

CEOs are feeling better about the current state of the Malaysian economy as the country enters a new dawn with a change of government, although they remained cautious about the prospects of their firms moving forward. Reflecting this is the latest Vistage-MIER CEO Confidence Index which, at 107.1, is at its highest level since 2Q2011.



The latest current economic conditions index rose to 107, its highest since 2Q2011, indicating that CEOs were clearly more confident about the domestic economy recently than they had been in more than seven years. 25% of the 625 CEOs believed that the domestic economy has improved in 3Q2018, up from 17% in 2Q2018 and 15% in 3Q2017. Those who opined that the economy has performed worse lately have dipped to 18% this quarter, compared to 42% a year ago and 25% last quarter. The expected economic conditions index rose to 146, suggesting that the economy is expected to do better in the coming months, with majority of the CEOs favourably projecting this.

CEOs are, however, bracing for a more cautious outlook for their firms in the near term, as uncertainties continue to prevail on both the internal and external environs. They are adjusting their plans for fixed investment lower in the coming months, as indicated by the index for planned fixed investment which lost four points on the quarter to stand at 140 in the latest survey. 46% are planning to increase their capital expenditure soon, down from 49% last quarter. Both the indexes for expected revenue and profits also declined, albeit marginally, from the prior quarter, presaging a slight slowdown in both for the rest of the year. 60% and 51% are projecting higher revenues and profits soon, down from 61% and 52% in 2Q2018, respectively. Recruitment is expected to take a breather in the months ahead. The latest index for expected employment, at 136, is down four points from 2Q2018, with 45% of the CEOs contemplating increasing their headcount before the year is out, down from 48% in 2Q2018 and 42% in 3Q2017.

New orders in the coming months are expected to slow down, particularly those from abroad. 54% of the CEOs are projecting higher local orders, down from 2Q2018's 56%. Those who are anticipating an increase in export orders dipped to 34% this quarter compared to 54% in 2Q2018. While most CEOs will be maintaining their current sale prices locally, those planning to revise theirs upwards soon totaled two percentage points more than the previous quarter's 32%.

TOP 3 CONCERNS AS MALAYSIANS

Results of the 3Q2017 survey showed that the top three concerns of CEOs, as Malaysians, were corruption, the weak Ringgit and the country's political situation.

VISTAGE-MIER CEO Confidence Index Highlights

60% of CEOs forecasted higher revenues, down from 61% in 2Q2018.

51% of CEOs projected higher profits, down from 52% in 2Q2018.

34% of CEOs expected more export orders, down from 54% in 2Q2018.

59% of CEOs planned to maintain local sale prices, up from 55% in 2Q2018.

49% of CEOs ranked their business confidence at level 4 post-GE14, up from 43% who ranked it at level 3 pre-GE14.

50% of CEOs ranked their personal confidence at level 4 post-GE14, up from 34% who ranked it at level 2 pre-GE14.

42% and **59%** of CEOs were positively impacted by the 0% GST professionally (business) and personally, respectively.

36% of CEOs were not affected by the stricter enforcement of foreign workers.

30% of CEOs set aside 6-10% of their personal income as savings annually.

45% of CEOs planned to invest in Data Analytics/Business Intelligence in the next 12 months.

71% of CEOs want more information on the DFTZ.

42% of CEOs planned to invest in equities in the next six months.

	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018
VISTAGE-MIER CEO CONFIDENCE INDEX	89.6	88.6	94.7	105.8	106.9	107.1
COMPONENTS						
Current Economic Conditions	71	73	81	101	92	107
Expected Economic Conditions	96	96	98	118	142	146
Expected Change in Employment	129	129	134	140	140	136
Planned Fixed Investment	123	119	134	140	140	136
Expected Revenue Growth	140	134	144	157	153	148
Expected Profit Growth	118	119	125	144	141	137

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.

A year on, concerns regarding the new government (capability, competency, efficiency, integrity, transparency) have topped the list, while corruption and the weak Ringgit have continued to be the other main concerns of CEOs. Of the many other concerns raised by CEOs, the more popular ones include the following: the domestic economy (stability and growth), the efficiency of the sales and service tax (SST) in replacement of the goods and services tax (GST), national debt, government expenditure and new government policies, foreign direct investment (FDIs), geo-political issues, global economy (especially the US-China trade war) and investor confidence.

While many CEOs remained concerned over the political situation in the country, they are also apprehensive over the lack of domestic demand and low consumer purchasing power, the rising cost of living and cost of doing business, competitiveness, education, employment (including unemployment and foreign labour), minimum wage, as well as racial and religious matters.

TOP 3 BUSINESS WISHES FOR BUDGET 2019

In conjunction with the tabling of Budget 2019 on 2 November 2018, CEOs have put forth their wish lists in the latest survey. Their top three proposals include providing more assistance and support to businesses, especially small and medium enterprises (SMEs), through business financing, grants, subsidies, incentives and rebates; lowering the SST; and lowering income and corporate taxes.

There were also calls for the Budget to focus on automation, health, education and human capital (including foreign labour, talent retention and development). Incentives should also be in place for FDIs, research and development (R&D), start-ups and high tech businesses, agriculture, women entrepreneurs and re-investment of new technologies. Some CEOs suggested that the GST be retained at a lower rate and housing be made more affordable.

TOP 3 PERSONAL WISHES FOR BUDGET 2019

The top three personal wishes of CEOs for Budget 2019 are primarily related to health, education and tax. Their suggestions include having a better education system/support via an increase in education fund, benefits and rebates, and more funding for better healthcare, especially for senior citizens. A reduction in or exemption of personal income tax also made it to the top-three wish list. CEOs are also hoping that the public transportation could be improved, with a reduction in car and property taxes/prices, and the cost of living as well. Higher tax benefits/incentives, deductions, reliefs, rebates and exemptions (example, for spouse, children, parents, middle-incomers, life and medical insurances) and abolishment of tolls were also recommended.

BUSINESS AND PERSONAL CONFIDENCE PRE- AND POST-GE14

The change of government has generally boosted CEOs' confidence. Their level of confidence post-GE14, both professionally, and especially personally, was higher than pre-GE14. Most (43%) ranked their pre-GE14 business confidence level at an average of 3, but post-GE14, a bigger majority (49%) grew in confidence, ranking their level a notch higher to 4. On a personal level, majority of the CEOs (34%) graded their pre-GE14 confidence level at 2, but post-GE14, the ranking of most CEOs (50%) rose to a high of 4.

IMPACT OF 0% GST

The GST, zero rated since 1 June 2018, has a more positive impact on CEOs personally than on a business level to date. 43% rated the impact on their businesses as neutral, while another 42% responded positively. Sentiments were more upbeat on a personal level, with 59% saying it has impacted them positively so far, while 33% remained neutral.

HIRING OF FOREIGN WORKERS ON BUSINESS

The stricter enforcement on the hiring of foreign workers has no impact on most CEOs' businesses.

Almost 36% made this claim, while 24% and 21% indicated the impact on them as moderate and significant, respectively. 18% were only affected minimally.

PERSONAL SAVINGS

Apart from the EPF mandatory savings, most (30%) CEOs set aside 6-10% of their personal income as savings annually. A quantum of 0-5% and 11-15% for savings are reserved by 23% and 19% of the CEOs, respectively. While 12% estimated theirs at 16-20%, 16% save more than 20%.

INVESTMENT IN BUSINESS SOFTWARE/APPLICATIONS OVER THE NEXT 12 MONTHS

On the kinds of business software/application that CEOs will invest in over the next twelve months, most CEOs have expressed interest in Data Analytics/Business Intelligence, Customer Relationship Management (CRM) and e-Commerce, with 45%, 40% and 37% responses, respectively. 28% will likely invest in Enterprise Resource Planning (ERP), while 26% have Accounting/Financial Management Systems in mind. Human Capital Management (HCM) and Cybersecurity garnered 17% responses each.

DIGITAL FREE TRADE ZONE (DFTZ)

In the 2Q2017 survey, 30% of the CEOs thought that the DFTZ can benefit them/their businesses, while 26% opined otherwise and 44% have little knowledge of it. The latest survey further found that 53% of the CEOs have not registered yet or do not intend to register for the DFTZ, although 71% would like to know more about it.

INVESTMENT IN THE NEXT 6 MONTHS

In the next six months, the top three investments that CEOs plan to participate in are equities, fixed deposits/cash and local real estate, with responses totaling 42%, 41% and 34%, respectively. 27% are interested in unit trusts/mutual funds/private retirement scheme, while 9% are considering foreign currencies and 8% are contemplating foreign real estate. Cryptocurrency and private equity received 7% votes each, while 6% are planning to invest in gold and/or silver. Only 5% are looking into Fintech (ECF, P2P).

ABOUT THE CEO CONFIDENCE INDEX

Since its inception in 2003, the CEO Confidence Index, a quarterly survey of Vistage members in Malaysia, has become a leading indicator of what leaders of small and mid-sized companies are thinking about and planning for the future. These insights provide a leading indicator for employment, capital expenditure, sales and revenue trends. Each quarter, Vistage International polls its membership in Malaysia, USA, Canada, UK and Australia.

ABOUT VISTAGE MALAYSIA AND MIER

Vistage Malaysia is a licensee of Vistage International, USA, the world's leading chief executive leadership development organization, providing unparalleled access to issue resolution and better performance through monthly peer advisory groups, one-on-one business coaching, expert speaker presentations, and extensive online connectivity spread over 1,800 cities in 20 countries with more than 22,000 members worldwide.

Vistage Malaysia has more than 700 members with combined annual revenue of RM60 billion and employing over 100,000 employees. Vistage member companies grow, on average, 2.2 times faster than they did prior to joining Vistage. In 4Q2005, Vistage Malaysia entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the CEO Confidence Index. 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 private sector by providing an objective and impartial understanding of socio-economic issues of national, regional and global importance.