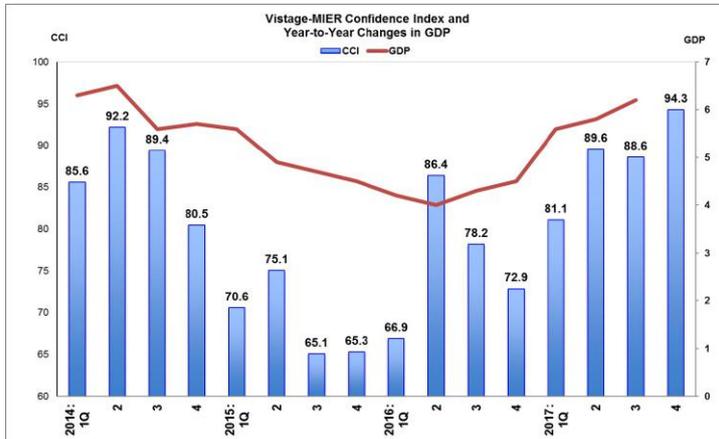


SENTIMENTS IMPROVE FURTHER

CEOs are looking more positively at the Malaysian economy which has continued to perform well into 3Q2017, thanks to domestic demand and the stronger global growth. The Vistage-MIER CEO Confidence Index rose 5.7 points on the quarter to 94.3 in 4Q2017, with a significant 21.4 point gain year-on-year. But the latest reading remains 5.7 points short of the 100-point neutral level of optimism, indicating a continuing lack of CEO confidence in the local economy, although their sentiments have improved in recent months.



CEOs' latest assessment of the domestic economic conditions is the best for the whole of 2017. The current economic conditions index rose to 81 from 73 in 3Q2017 and 34 in 4Q2016. Of the 555 CEOs who responded to the survey, 16% saw improvements in the local economy lately, up from 15% and 3% in 3Q2017 and 4Q2016, respectively. Those who opined otherwise have dropped to 35% from 42% last quarter and 69% a year ago. With buoyant projections by analysts and the government that the Malaysian economy is on track to achieving 5.2%-5.7% growth in 2017 and the next, more CEOs are also expecting economic improvements in early 2018. Reflecting this is the index for expected economic conditions which rose two points to 98 from the prior quarter, with 27% of the CEOs responding favourably, up from 24% in 3Q2017 and 9% in 4Q2016.

CEOs are sanguine in their projections of the prospects of their companies going forward. The index for expected fixed investment, at 134, gained fifteen points from 3Q2017 and twenty-three points from 4Q2016. 46% of the CEOs are planning to increase their capital expenditure in 1Q2018, up from 38% and 32% in 3Q2017 and 4Q2016, respectively. The expected indexes for revenue and profitability also posted gains, rising quarter-on-quarter to 144 and 125 in 4Q2017, respectively. 56% of the CEOs are looking forward to better revenues soon, while 45% are forecasting higher profits. More employment opportunities can be expected in the pipeline as more CEOs will likely increase their headcount at the onset of 2018. The latest expected employment index rose to 134 from 129 in 3Q2017 and 123 in 4Q2016. 45% revealed intentions to expand their workforce soon, compared to 42% last quarter and 37% a year ago.

DIFFICULTIES IN GETTING THE RIGHT TALENT

Most businesses face difficulties in getting the right talent for their organizations. For top management positions, most (43%) CEOs find it hard to fill these positions at the general management level, followed by accounts/finance (35% indicated difficulties hiring such talent), human resource (32%), marketing (29%), sales (25%), technical/engineering (24%), IT (22%) and production (17%). At the middle management level, getting the right talent for sales and marketing proved to be most difficult for CEOs, with 67% and 65% saying so, respectively. 62% encounter difficulties with general management hires at this level, while 61% named IT and another 61% claimed human resource middle management talent are hard to get. 57% of the respondents also have problems filling up technical/engineering and accounts/finance at this level.

VISTAGE-MIER CEO Confidence Index Highlights

56% of CEOs projected increased revenues, up from 50% in 3Q2017 and 43% in 4Q2016.

45% of CEOs expected higher profits, up from 41% in 3Q2017 and 36% in 4Q2016.

43% of CEOs have difficulties getting the right talent for top general management positions.

32% of CEOs forecasted an annual GDP growth of 5% for 2017.

44% of CEOs opined that their sales in 2017 are trending higher than 2016.

36% of CEOs believed that current cost of living is at 6.1% - 8%.

71% of CEOs thought that the third review of the minimum wage rate (to be announced in 2018) is too soon and unnecessary.

49% of CEOs have adopted e-commerce in their businesses.

80% of CEOs are currently using Uber/Grab for transportation.

18% of CEOs are involved in the Halal industry.

94% of CEOs are better strategic thinkers since joining Vistage.

42% of CEOs suffer from cholesterol and 52% undertake annual medical check-ups.

39% of CEOs planned to invest in equities in the next six months.

	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017
VISTAGE-MIER CEO CONFIDENCE INDEX	78.2	72.9	81.1	89.6	88.6	94.7
COMPONENTS						
Current Economic Conditions	47	34	43	71	73	81
Expected Economic Conditions	72	53	67	96	96	98
Expected Change in Employment	123	123	124	129	129	134
Planned Fixed Investment	112	111	120	123	119	134
Expected Revenue Growth	126	123	139	140	134	144
Expected Profit Growth	111	107	120	118	119	125

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.

For lower management positions, production talent is the most difficult to get, as indicated by 40% of the respondents, followed by technical/engineering talent (34% votes), sales (32%), IT (25%), marketing (24%), accounts/finance (20%), general management (18%) and human resource (16%). In terms of support staff, most (31%) respondents face difficulty hiring production talent, while 20% have problems filling technical/engineering positions. Finding the right IT talent is a problem for 20% of the CEOs, followed by sales (20% votes), human resource (20% votes), accounts/finance (14%), general management (13%) and marketing (8%).

FORECAST OF MALAYSIA'S GDP FOR 2017

In the prior 3Q2017 survey, 39% of the respondents indicated that Malaysia's GDP for 2017 will be 4.5%, while MIER's forecast (at the time this 4Q2017 survey was conducted) was 5.4%. When asked what their own reckoning is, majority (32%) of the CEOs forecasted it at 5%, while close to 4% estimated it to be above 5.5%. 30% and 23% believed that a GDP rate of 4.5% and 4% is achievable for 2017, respectively, while 12% projected a growth of 5.5%.

TRENDS IN SALES, PROFIT & CASHFLOW

Based on the CEOs' nine-month actual performance of their companies and extrapolating to year-end 2017, they were asked of the trends in their sales, profit and cashflow in comparison to 2016. Respondents are generally more upbeat on their sales than their profit and cashflow, with most (44%) saying their sales are better in 2017 than a year ago. In terms of their profits and cashflow performances in 2017 vis-à-vis 2016, 37% of the CEOs believed that their profits have remained the same, while 43% said the same for their cash flow situation.

SALARY INCREMENT AND BONUS PAYOUT 2017

For financial year ending 31 December 2017, the salaries of managers and non-managers will remain the same, as indicated by 65% and 34% of the respondents, respectively. 59% will raise the salaries of managers by >10%, while 41% will apply the same rate for their non-managers. An increment of 1%-5% will be given by 49% of the CEOs for their managerial personnel and 51% for their non-managers. A raise of >5%-7% for managers and non-managers are on the agenda of 45% and 55% of the respondents, respectively. Managers of 45% of the CEOs can look forward to an upward salary revision by >7%-10%, while 55% are contemplating a similar rate for their non-managers soon.

For managerial staff, a bonus of >4-6 months was revealed by 75% of the respondents, while 25% are proposing the same rate for their non-managers. 57% and 43% of the CEOs are looking at a quantum of >2-4 months for their managers and non-managers, respectively. A bonus of >1-2 months is on the minds of 48% of the CEOs for their managerial employees, with another 52% likely to do the same for their non-managers as well. 46% and 54% of the CEOs are looking at a bonus payout of 0-1 month for their managers and non-managers, respectively. The highest bonus quantum of >6 months will be rewarded by 46% of the CEOs to their managers, and 54% to their non-managerial workers.

COST OF LIVING

As the public, especially the urban folks, feel the pinch of the rising cost of living and perceived slower wage rise, there is growing concern now that the Consumer Price Index (CPI), the official barometer of inflation, does not reflect the economic reality of price changes. The CPI rose sharply to 4.3% in September 2017 from 3.7% the month before. Given this, CEOs were asked what they think the cost of living would more likely be and a majority of slightly more than 36% tagged it at 6.1%-8%. Almost 36% and 18% estimated it at 4%-6% and 8.1%-10%, respectively, while more than 9% believed a rate of above 10% is more reflective of the current situation.

REVIEW OF MINIMUM WAGE

The minimum wage was set in 2014 at RM900 for Peninsular Malaysia and RM800 for East Malaysia, and it was subsequently adjusted to RM1,000 and RM920, respectively. When asked if a third review of this wage, expected to be announced in 2018, is a little too soon and unnecessary, 71% think it is.

E-COMMERCE IN BUSINESS

Malaysia's internet and mobile connectivity, with government encouragement, have enabled the country to achieve high rates of e-commerce usage.

According to a recent report by BMI Research, Malaysia's e-commerce market is expected to grow to US\$3.8 billion in 2017. The Government has also named 2017 "The Year of the Internet Economy". E-commerce is nothing new to half of the CEOs as 49% of them have adopted it in their businesses, while 51% said otherwise. For those who have, 49% described their extent of adoption as "medium", while 41% rated theirs as "low" and 10% said they are high on e-commerce.

TRANSPORTATION

In the area of transportation, 80% of the CEOs are currently Uber/Grab users, and the 20% who are not, are prepared to use this mode of transportation. While 20% use electric cars and 12% use robotics/AI powered vehicles in their businesses currently, 5% are using driverless vehicles. Most are, however, prepared to use a driverless vehicle (95% responses), robotics/AI powered vehicles (88%) and electric cars (80%).

HALAL INDUSTRY

Malaysia aims to be a global halal hub by 2020 when the industry is expected to contribute 8.7% to the country's GDP. The global halal market, which has already attracted global consumer and cosmetic giants like Unilever PLC and L'Oreal SA, is currently estimated at US\$2.3 trillion, covering both food and non-food sectors. Notwithstanding this, only 18% of the CEOs are involved in this industry. The other 82% who are not are also not planning to be involved in this industry anytime soon.

REFLECTION ON VISTAGE'S MISSION

Reflecting on Vistage's mission of increasing the effectiveness and enhancing the lives of CEOs and their key executives, the feedback from most CEOs was favourable. 94% see themselves as better strategic thinkers, while 91% feel they have become more effective leaders since joining Vistage. Another 91% are able to further empower their people and 87% described themselves as better listeners to their people and family members. 84% are able to hold their people more accountable now, while 74% believe that their work life balance has improved and 73% have become better time managers.

FITNESS, HEALTH AND MEDICAL CHECK-UP

Health is wealth. Based on the scorecards submitted by CEOs on their personal health, high cholesterol (42% revealed having this) topped the list of health problems experienced by respondents, followed by overweight issue (40%), hypertension (24%), fatty liver (22%), high uric acid (15%), diabetes (6%) and low blood pressure (almost 6%). Another 15% of the respondents are suffering from other health problems such as insomnia, fatigue and stress, atrial fibrillation, bone spurs, cancer, gout, hyperthyroidism, knee problem, lower spine problem, poor vision, ruptured disc, tinnitus and vasodilation. Annual medical check-ups are undertaken by 52% of the CEOs, while 23% have theirs done once in two years and 25% only go for a check-up when necessary.

INVESTMENT IN THE NEXT SIX MONTHS

For the first half of 2018, equities and fixed deposits/cash are the top investment choices of respondents, with 39% and 37% expressing interest in them, respectively. Local real estate is looking attractive to 33% of the CEOs, while 23% will invest in unit trusts/mutual funds. 10% are keen on private equity, while 9% are planning on investing in foreign currencies and 8% are considering bitcoin/ethereum. 6%-7% of the CEOs will also be investing in bonds, foreign real estate and gold and/or silver in the next six months.

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, the US, Canada, the UK and Australia. In 4Q2005, Vistage Malaysia - a licensee of US-based Vistage International, the world's leading chief executive leadership development organization - entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the CEO Confidence Index.