



4Q2011 VISTAGE-MIER CEO CONFIDENCE INDEX

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CEO CONFIDENCE – LOOKING FOR A BOTTOM?

The fourth quarter 2011 Vistage-MIER CEO Confidence Index settled lower quarter-on-quarter at 82.5 points, down 10.8 points from the previous quarter's 93.3 points. The decline in the previous quarter had been a more significant 18.6 points. Year-on-year, the Index is lower by 33.4 points. All of the Index's 6 component indices settled lower both on a quarter-on-quarter and year-on-year basis, just like in the previous quarter.

After eight consecutive quarters spent above the threshold level of 100 points, the boundary at which the opposing forces of optimism and pessimism balance out, the Index finally sank below 100 points in 3Q2011. Though the Index's fall further below the threshold level in the current quarter is no reason to push panic buttons, it is certainly a cause for concern. The growth momentum of the Malaysian economy has been moderating. The Index's performance certainly suggests further moderation in the months ahead. The question is, how much further? And what are the implications for Malaysia's high-income economy goal?

CURRENT AND EXPECTED ECONOMIC CONDITION WORSEN FURTHER

Survey results indicate that more CEOs (47% compared to 31% previously) feel that the overall economic condition worsened in the fourth quarter. The survey results also indicate that more respondents (49% compared to 32% previously) expect the economic condition to worsen over the next 12 months.

CEOS LESS OPTIMISTIC ABOUT EXPECTED REVENUE AND PROFIT GROWTH

Survey respondents, just like in the previous quarter, anticipate both revenue and profit growth to decline over the next 12 months. Proportionally fewer CEOs indicated that they foresee higher revenues (45% compared to 54% previously) and profitability (38% compared to 46% previously) going forward.

LOWER EXPECTED CAPITAL SPENDING AND HIRING

Gleaning from the survey results, capital spending and hiring will be lower going forward. Proportionately fewer business leaders see increases in their firm's capital spending (35% compared to 40% previously) over the next 12 months. Though there was no quarter-on-quarter fall in the proportion of CEOs expecting their headcount to increase (44%), proportionately fewer expect headcount to remain about the same and more expect a decrease.

BRANDING

In the 3Q2011 survey, CEOs indicated that inadequate knowledge of overall branding methodology is a major challenge to them creating their own brand for achieving global success. When asked where they are currently in their branding efforts, about 90% responded. Of those that responded, 38% indicated that efforts have been initiated to develop a brand value strategy, 37% have already implemented a brand strategy within the organization, and 36% have done a brand audit.

	Q3 2010	Q4 2010	Q1 2011	Q2 2011	Q3 2011	Q4 2011
VISTAGE-MIER CEO CONFIDENCE INDEX	114.4	115.9	118.1	111.9	93.3	82.5
COMPONENTS						
Current Economic Conditions	141	136	136	124	88	63
Expected Economic Conditions	123	132	133	122	84	62
Expected Change in Employment	144	145	149	147	137	135
Planned Fixed Investment	149	151	148	146	127	118
Expected Revenue Growth	162	163	172	162	144	131
Expected Profit Growth	146	149	155	145	125	115

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.

MINIMUM WAGE

The Government has set up the National Wage Council to deliberate on minimum wage. In this survey, respondents were asked to pick from a list (RM950, RM850, RM750) what they think would be a fair monthly minimum wage in manufacturing in Penang, the Klang Valley and Johor. About a third (33%) indicated RM950 as being fair, a quarter (25%) indicated RM850, and 12% indicated RM750. The rest indicated, "do not know."

PRIVATE SECTOR CONTRIBUTION TO DEVELOPMENT EFFORTS

Survey respondents were asked what they think the Government should do to help make it easier for them to contribute towards efforts to transform Malaysia into a high-income economy. CEOs responded with usual suggestions like reducing corporate taxes, implementing policies that ensure meritocracy, removing bumiputra equity participation, and tackling corruption. One interesting response suggested that the labour law should be amended to make it less positively biased towards employees so that the rights of employers are better looked after.

WORKING WITH GEN Y

In the 4Q2011 survey, business leaders were asked to pick from a list what they have implemented or are in favour of implementing so that they can resonate better with Gen Y in their organization. "Emphasis on meritocracy and performance instead of seniority in the organization" topped the list at 72%, followed by "greater use of digital media communication tools" (65%). When asked to indicate which social networking tool (Twitter, Facebook, Blog, or LinkedIn) they have adopted in their business, about 66% responded. Of these, a significant 83% ticked Facebook, while 39% ticked LinkedIn.

GOVERNMENT CONTRACTS - MORE OPEN TENDERING?

CEOs were asked whether they felt that, from their own experience and observations, the authorities are now more actively practising open tendering as compared to 12 months ago. Only 20% responded "yes" while 43% "no". The rest indicated, "do not know."



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GREEN ECONOMY INITIATIVE

In the 3Q2011 survey question on the green economy initiative, 58% of CEOs responded that they are already involved. CEOs were then asked in this survey to indicate the kind of initiatives they have in place. Results show that their initiatives include cutting back on paper use, using LED lighting refurbishing/reconditioning IT equipment for re-use, and achieving ISO 14001 (Environment).

SME LOAN FINANCING

With regard to SME loan financing, survey results show that about 23% of respondents recently approached the SME Bank while 33% approached financial institutions other than the SME Bank. In the case of the former, about 37% indicated that they "successfully obtained the loan amount I wanted", 34% "successfully obtained a loan but not the amount I wanted", while 29% were "unsuccessful in loan application". In the case of the latter, it was 42%, 39%, and 19% respectively.

MAJOR EXPORT MARKETS

CEOs were asked to tick on a list of countries two of their major export markets. ASEAN member countries are prominent with 39%, followed by the Middle East with 13%. Europe and China are also prominent, with 10% each.

GOODS AND SERVICES TAX (GST)

The proposed GST is intended to replace Malaysia's existing sales tax and service tax. It has built-in control mechanisms that help minimise tax evasion by traders and requires good and proper record keeping. This can lead to improvements in the maintenance of accounts and financial records. Many countries have already implemented the GST, e.g. the United Kingdom, New Zealand, Australia and Singapore. While slightly more than a quarter of responding CEOs (27%) are indifferent as to when the GST gets implemented, 44% indicated that they prefer it to be sooner, and 29% later.

HEALTH AND WEALTH

About 70% of survey respondents responded to the question on health issues over the last 12 months. Since Malaysia is first among South-East Asian countries with problems pertaining to obesity, it is no wonder that obesity among CEOs topped the list with more than half (54%) indicating that they are overweight. High cholesterol (50%) is next on the list, followed by hypertension (23%). With regard to personal investment plans over the next 6 months, 96% of VISTAGE CEOs responded. The three most popular investment vehicles are local real estate (43%), equities (32%), and fixed deposits/cash (31%).

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 300 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) 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.



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