



## 3Q2012 VISTAGE-MIER CEO CONFIDENCE INDEX

### CONFIDENCE TAKES A FALL

CEO optimism on the outlook of the Malaysian economy, as well as the prospects of their firms, fell in the third quarter. After two consecutive quarters of quarter-on-quarter gains, the Vistage-MIER CEO Confidence Index fell 5.3 points to 92.5 points. The quarter-on-quarter fall implies a 5.4 per cent fall in confidence among responding CEOs. In the previous quarter, CEO confidence had increased 4.6 per cent.

Five of the six component indices of the Confidence Index fell quarter-on-quarter, while the planned fixed investment component index rose slightly by 3 points to 133 points. Compared to the same quarter last year, four of the six component indices ended the quarter lower. Of the 335 respondents, proportionately fewer CEOs (9% compared to 14% 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, there were again proportionately fewer respondents (14% compared to 21% previously) who indicated that they expect conditions to improve.

The survey results also indicate that CEOs, compared to the previous quarter, are less optimistic about the overall performance of their firms over the next 12 months. 56 per cent of responding CEOs, compared to 59 per cent in the second quarter, anticipate revenue growth to increase going forward. Though proportionately more CEOs foresee better profits in the coming year (52% compared to 51% previously), proportionately more of them (19% compared to 15%) now expect profitability to fall. Considering CEO sentiments, it is natural to expect proportionately fewer of them to anticipate higher headcount going forward. Which was what the survey results revealed; 44 per cent (compared to 50% previously) said they expect their total number of employees to increase over the next 12 months.

As for the only component index that bucked the trend, 46 per cent of responding CEOs in the third quarter expect to increase their planned fixed investment spending over the next 12 months, compared to 42 per cent in the previous quarter. However, considering that the CEO Confidence Index fell 5.3 points in the third quarter and it remains below the 100-point threshold, the 3-point rise in the planned fixed investment component index to 133 points is not exactly a bright spark in the overall Index's lethargic performance. After all, 133 points is just a hairsbreadth higher than the 132 points it registered in 3Q2009 when GDP fell 1.1 per cent year-on-year.

### SPENDING ON INFORMATION TECHNOLOGY

IT spending is highly relevant to an organization's future growth, as indicated by 70 per cent of respondents to a 2011 Bain & Company survey of senior managers at more than 350 companies. In this survey, CEOs were asked about their budgeting for and/or spending on information technology (IT) as a percentage of sales in their firms. Only 3 per cent of respondents indicated that they spend between 15 and 20 per cent while the majority of 59 per cent indicated that they spend between zero and 5 per cent.

### INTEREST IN MYANMAR

There have been news reports that since Aung San Suu Kyi's parliamentary election victory in April last year, foreign investors, eager to take part in the re-emergence of a regional economic

	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012
VISTAGE-MIER CEO CONFIDENCE INDEX	111.9	93.3	82.5	93.5	97.8	92.5
<b>COMPONENTS</b>						
Current Economic Conditions	124	88	63	82	91	78
Expected Economic Conditions	122	84	62	78	93	79
Expected Change in Employment	147	137	135	136	141	134
Planned Fixed Investment	146	127	118	130	130	133
Expected Revenue Growth	162	144	131	149	148	142
Expected Profit Growth	145	125	115	132	136	133

*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.*

power, have been flocking to Myanmar. In the previous quarter, nearly three-quarters (73%) of surveyed CEOs indicated that they have no Myanmar-related plans as yet. When asked in this survey whether a Vistage-initiated fact-finding and business exploratory trip to Myanmar in 2013 would interest them, a majority (62%) of responding CEOs indicated that they are interested.

### CORRUPTION AND CRIME IN MALAYSIA

The relationship between corruption, crime and economic growth is obvious. Crime and corruption both increase uncertainty and the cost of doing business, thereby discouraging entrepreneurial activities that foster economic growth. CEOs were asked in this survey about their perceptions with regard to the incidence of corruption and crime in Malaysia over the past three months. Over one in three (36%) respondents indicated that they believe the incidence of corruption in Malaysia rose over the past three months, while nearly four in five (79%) believe that the crime rate rose over the same period.

### IMPORTANCE OF EUROPE

The euro zone remains the focus of global attention because its on-going financial crisis has the potential to drastically affect the global real economy. When asked how dependent they are on Europe and the U.S., either as a market or a critical source of supply for their businesses, less than one in ten (7% for the former, 8% for the latter) of responding CEOs indicated that they are highly reliant.

### IMPROVEMENTS IN INFRASTRUCTURE

CEOs were asked what they feel are the types of hard infrastructure necessary to make Malaysia a more conducive place for them to run their businesses. While most respondents indicated the importance of the likes of seaports, telecommunications, roads, public transportation, water supply, etc., the responses of some CEOs suggest that governance issues are equally important in their view. There was mention of a need for, among other things, less red tape in government agencies, less corruption, and less cronyism.

In a separate question on whether respondents are facing water shortage problems (an infrastructure issue) considering that there have been warnings by the authorities on a looming water crisis, 11 per cent of responding CEOs indicated that they do face water shortage problems and their business and home front have been affected.



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## IMPACT OF NATIONAL MINIMUM WAGE

The Minimum Wage Order 2012, which has just been gazetted, will take effect on 1st January 2013 for employers who employ six workers or more. In the run-up to the expected announcement on a national minimum wage on Labour Day 2012, some business associations voiced their fears of increased labour cost arising from the implementation of minimum wage. For example, the SMI Association of Malaysia, at a joint conference by 16 manufacturing, retail and service sector associations on 6 March 2012, said, "SMEs were mostly labour-intensive and based on the nature of their operations, they would not be in the position to absorb the cost spike". In this survey, CEOs were asked about the expected impact on their businesses when the national minimum wage is implemented. Six per cent of respondents expect the impact to be very severe, while 13 per cent expect a high impact.

## CREDIT CARD REPAYMENTS

A recent global survey revealed that Malaysians are among the worst credit card re-payers in the Asia Pacific region. CEOs were asked in this survey about their monthly credit card repayment practice. A majority (85%) indicated that they pay their bill(s) in full. Only 13 per cent indicated partial repayments (e.g. 30% of the amount due), while a tiny minority of 2 per cent indicated minimal monthly repayments. And when asked about whether they use their credit card facilities to finance their business, 92 per cent indicated "no".

## PERSONAL WEALTH

Just like in the previous quarter, local real estate is the favourite with CEOs. It again topped the list of favourites, this time with 45 per cent (41% previously) of responding CEOs voting for it. Fixed deposits/cash is again second on the list with 39 per cent (38% previously), while equities is third with 35 per cent (31% previously). In response to the question on the timing of withdrawal of EPF savings, 82 per cent of CEOs indicated that they prefer to withdraw their entire savings at age 55, while 18 per cent prefer to be able to do that at age 60.

## 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 390 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. 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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