



2Q2013 VISTAGE-MIER CEO CONFIDENCE INDEX

A VOTE OF CONFIDENCE

CEOs are giving both the Malaysian economy and prospects of their firms the thumbs up in the second quarter. After staying consistently below 100 points since 2Q2011, the Vistage-MIER CEO Confidence Index finally breached this 100-point threshold level of optimism to reach 104.4 points in 2Q2013. CEOs are clearly more confident now than they were in the last seven quarters.

Like 1Q2013, all six component indices that comprised the Index continued to chart gains in 2Q2013. 16% of the 359 CEOs who responded to the survey this time opined that economic conditions in 2Q2013 have improved, up from 14% in both 1Q2013 and 2Q2012. Economic expectations are even more upbeat. 35% of the respondents are looking forward to a better economy in the coming months, compared to 26% a quarter ago and 21% in 2Q2012.

CEO optimism is also reflected in their employment outlook as well as their plans for capital investment, revenue and profitability in the near term. Half of the respondents are planning to expand their workforce, while 47% are looking into increasing their capital investment soon. Anticipation of higher sales revenue is rife among 65% of the CEOs surveyed, and half of them are hopeful that their firms' profitability will improve in the months ahead.

INDEPENDENCE OF PUBLIC INSTITUTIONS

In the prior survey, it was suggested by respondents that the independence of public institutions like the judiciary and anti-corruption agencies like the Malaysian Anti-Corruption Commission (MACC) should be upheld and kept free from political interference.

In this survey, respondents were asked who the MACC should report to. A majority of 42% voted for a Select Judicial Committee, while 37% were for a Parliamentary Select Committee and 13% opted for the Yang DiPertuan Agong.

Other than the above, 8% of the respondents provided suggestions on who the MACC should report to. Among these include key people/body of integrity, independent, non-political and of diverse professions, privately-elected NGOs, mix of members of opposition and ruling parties, Parliament, an independent advisory group within Parliament, and an independent commission agency.

GIFT POLICY

CEOs were asked about their "Gift Policy" in the latest survey and a majority of 72% noted that they do not allow their employees to accept gifts from suppliers/business associates. The other 28% who allow such practice, however, have a cap on the amount allowed. 55% allow a limit of RM500 and below, 9% for RM501-RM1000, 3% for RM1001-RM2000 and 2% for above RM3000.

Other than the amounts cited above, 31% of the respondents allow their employees to accept gifts of the following nature and conditions: non-monetary (hampers, liquor) and to be shared by all, RM100 and below, below RM150, no limit, small gifts, souvenirs and mementos (diaries, calendars, pens, mandarin oranges), gifts to be placed in a common pool for distribution/lucky draws, samples, subject to approval, and non-cash festive gifts.

GOODS AND SERVICES TAX (GST)

In the 1Q2013 survey, it was found that 87% of the CEOs do not know enough of the Goods and Services Tax (GST) and do not think that it will be implemented. In light of this and as part of Vistage value-added service, respondents were asked of the type of such service that would be of interest to them. 80% of the CEOs expressed interest in having a resource speaker on GST to their own group during their group meeting day, while 35% are more keen on

	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013
VISTAGE-MIER CEO CONFIDENCE INDEX	93.5	97.8	92.5	91.7	99.7	104.4
COMPONENTS						
Current Economic Conditions	82	91	78	71	91	94
Expected Economic Conditions	78	93	79	83	102	119
Expected Change in Employment	136	141	134	134	136	143
Planned Fixed Investment	130	130	133	126	133	138
Expected Revenue Growth	149	148	142	149	155	158
Expected Profit Growth	132	136	133	130	137	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.

having a resource person on this subject at a Vistage CEO Tea Talk event and 24% prefer having a resource speaker conduct an in-house workshop for their organization.

TALENT TO GROW BUSINESSES

Past surveys have indicated the difficulty faced by CEOs in hiring enough talent to help grow their businesses. CEOs were subsequently asked in the latest survey what they think the government needs to do to alleviate the situation. 67% are of the view that work permits for foreign talent to work in Malaysia need to be liberalized, while 55% think that a one-stop processing center for work permits should be set up and 52% call for a relaxation of the rule to allow foreign spouses of Malaysians residing in the country to work.

Another 12%, however, made other suggestions. Of these, respondents are most cohesive on the following: the local education policy and system need to be revisited and improved, and a meritocracy policy should be in place to address brain drain and provide equal opportunities to all, irrespective of race, in order to attract and grow local talent.

There are also calls by respondents for a higher allocation for education, liberalization of labour laws pertaining to dismissal, improvement of English literacy from primary level, provision of industrial training and polytechnics for graduates and poor students to improve their skills and enhance their employability, and the provision of a special subsidy/fund/rebate to support existing employees for further studies or training to improve their skills. There is even a suggestion that Vistage be tasked to train unemployed graduates.

CREDIT FACILITIES

CEOs were asked if they have experienced any withdrawal of their credit facilities by their financial institutions in the last six months. The findings show that most of them have not encountered this problem from either their local or foreign financial institutions, with 91% and 76% being polled, respectively. Only 8% experienced this incident with their local financial institutions and 3% had theirs with foreign ones.

PRE-UNIVERSITY EDUCATION

Respondents' preferred choice of a pre-university education for their children is national type schools, with 37% saying so, followed by Chinese/Indian independent schools with 21%, while international schools netted 19% of favourable votes. Only 4% of the respondents enrolled their children overseas and 2% thought that homeschooling is the best option for them.



2Q2013 VISTAGE-MIER CEO CONFIDENCE INDEX

TERTIARY EDUCATION

In the next 12 months, most respondents will likely enroll their children in universities overseas for their tertiary education. 46% stated this, while 37% prefer local universities with overseas twinning arrangements and 12% will go for local universities. The 5% who responded indifferently cited reasons of their children being young/not of university age or that their children have already graduated or are currently in university and some have yet to decide.

COMPETITION ACT 2010

The Competition Act 2010 came into effect on 1 January 2012. In the 2Q2012 survey, 55% of the respondents believed that the Act will not have an impact on them. A year on, the MyCC will no longer take a soft approach towards enforcement. When asked about the penalty of this Act, a majority of 77% of the CEOs are not aware that the penalty for any enterprise found guilty of an infringement of this Act will be subject to a fine of as much as 10% of its worldwide turnover.

In view of the severity of this penalty, as part of Vistage value-added service, CEOs were asked of the type of this service that would be of interest to them. 82% prefer having a resource speaker on the Act to their own group during group meeting day, 40% are in favour of having a resource person at a Vistage CEO Tea Talk event and 20% for a resource speaker conducting an in-house workshop for their organization.

SOURCES OF ENERGY USED

Of the sources of energy used in the operations of respondents, electricity tops the list, with 73% of the respondents saying they are using more than 50% of this source in their operations. Although 94% of the respondents use solar, their usage is limited to only a maximum of 10%. Like solar, biomass and steam are also widely used (87% and 80% of respondents, respectively) but both their usages are also less than 10%.

INVESTMENT IN THE NEXT SIX MONTHS

Once again, like 1Q2013, local real estate continues to attract respondents in 2Q2013. 48% are contemplating on making this investment in the next six months, while equities are the choice of 35% of the CEOs surveyed. Fixed deposits, unit trusts/mutual funds and gold garnered 31%, 22% and 13% of favourable responses, respectively. The least appealing are bonds where only 9% of the respondents are likely to invest in them in the coming months.

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 410 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

