



# 3Q2013 VISTAGE-MIER CEO CONFIDENCE INDEX

## CAUTIOUS OPTIMISM

CEOs are generally optimistic, but cautious, about the Malaysian economy and the prospects of their firms in the second half of 2013. The Vistage-MIER CEO Confidence Index settled lower at 100.9 in 3Q2013, slipping 3.5 points quarter-on-quarter. Despite retreating, the Index continues to hover above the 100-point demarcation level, denoting that optimism, though lower, still prevails. Compared to 3Q2012, however, the latest reading is up 8.4 points.

The current and expected economic conditions indexes fell four and 18 points from last quarter to 90 and 101 in 3Q2013, respectively. Although 18% of the 341 respondents noted an improvement in current national economic conditions in 3Q2013 (up from 16% in 2Q2013), those who responded negatively rose from 22% in 2Q2013 to 28% in 3Q2013. About 28% of the respondents, down from 35% in 2Q2013, are anticipating better economic conditions in the coming months.

Indexes for the short-term outlook were mixed. Both the employment and profitability indexes posted gains, while that of investment and sales revenue showed otherwise. Slightly more than half of the respondents are contemplating on increasing their manpower (51%) and expecting higher profits (55%) in the near term. They are, however, evenly split when it comes to capital expenditure over the coming months: 45% are likely to increase theirs, while another 45% plan on sitting it out instead. Sales revenue is expected to hold its own, with 63% of the respondents envisaging higher sales soon, just a shade paler from 2Q2013's 65%.

## IMPACT OF EXTERNAL DEVELOPMENT

Given the following countries' current economic performance, the CEOs were asked of the impact of the countries' economic performance on their firms and their responses were:

	Positive	Neutral	Negative
Europe	19%	55%	27%
US	32%	46%	22%
China	30%	46%	24%
Indonesia	34%	57%	10%
Myanmar, Laos and Cambodia	34%	60%	6%

## IMPACT OF US CURRENCY

There is every indication that the US\$ is on the uptrend. This situation, according to 65% of the respondents, has a significant impact on their businesses in the near term, while the remainder 35% saw otherwise.

## CURBING CRIME

The recent spate of armed robberies at public places like restaurants, clinics and private homes suggests an ineffectiveness in law enforcement. Among the many actions/ measures suggested by respondents that the authorities should undertake to reduce this worrying trend, the following are the most popular: tighten and impose stricter law enforcement, improve/increase/redeploy/revamp/overhaul the police force, increase current police budget and police patrols in hot spot/high risk areas and public places, set up more police beat bases/kiosks, curb/reduce corruption, increase public awareness, impose stricter/heavier penalties/punishment including the death penalty and public caning, and tighten the foreign labour policy. There were also calls for the government

	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013
VISTAGE-MIER CEO CONFIDENCE INDEX	97.8	92.5	91.7	99.7	104.4	100.9
<b>COMPONENTS</b>						
Current Economic Conditions	91	78	71	91	94	90
Expected Economic Conditions	93	79	83	102	119	101
Expected Change in Employment	141	134	134	136	143	144
Planned Fixed Investment	130	133	126	133	138	134
Expected Revenue Growth	148	142	149	155	158	153
Expected Profit Growth	136	133	130	137	137	141

*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.*

to increase employment opportunities, more CCTVs/ surveillance cameras to be installed on the streets, the reintroduction of the Emergency (Crime Prevention) Ordinance and the review / increase of the salaries of police personnel.

## BREACH OF GIFT POLICY

In the prior survey, most of the respondents indicated that they do not allow employees to accept gifts from suppliers / business associates. For those who do, more than half capped the limit at RM500 and below. Respondents do not take a breach of this matter lightly. A majority of 42% stated that disciplinary action including suspension from work will be taken against the offenders, while 39% will implement reprimands and only 9% do not take any action.

Other actions taken by another 10% of the respondents to address such breach include issuing a warning before deciding on a reprimand or disciplinary action including dismissal, discussing with the employee in question, having the employee pay the difference to the company or returning the gift.

## ENGLISH-MEDIUM SCHOOLS

There has been an increased interest from certain quarters to allow the use of English as a medium of instruction in schools again. The powers-that-be are still hesitant on introducing English medium schools in the 2013-2015 Education Blueprint. But for Malaysia to improve its competitiveness in the global marketplace, 83% of the respondents were of the view that these schools should be re-established immediately, whereas 13% considered 2015 to be a more appropriate time to do so.

## CIVIL SERVICE BURDEN ON GOVERNMENT

As at 2010, Malaysia's civil service numbers about 1.2 million employees on the government payroll out of a population of 28 million. The Organisation for Economic Co-operation & Development (OECD) shows Malaysia having the highest ratio of civil servants to the population in the Asia-Pacific region at 4.68% with Indonesia having 1.79%, Philippines 1.81%, South Korea 1.85% and Thailand 2.06%. The civil service is, hence, a major contributory factor to the financial burden of the government. Almost 92% of the CEOs agreed that the ratio is too high.

## USEFULNESS OF DEWAN NEGARA

Similar to the bi-cameral legislature in the United Kingdom (and also practiced by about 80 countries throughout the world), the



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Malaysian Parliament comprises the Dewan Negara (the Upper House) and the Dewan Rakyat (the Lower House). The Dewan Negara's principal role is to revise, improve, or delay Bills passed by the Dewan Rakyat, but many have contended that, in practice, the former is today nothing more than a 'toothless rubber stamp' and 'archaic, the leftover of a bygone era'. Some 58% of the respondents felt that the Dewan Negara is no longer necessary and useful, but 42% begged to differ.

## RACIAL POLARIZATION

The degree of racial polarization in the country today is, to 40% of the CEOs surveyed "high", while 32% rated it as "medium" and 23% viewed it as "very high". Only 6% perceived it as "low".

## PRACTICE OF FLEXI-TIME

In the 1Q2012 survey, 38% of the respondents indicated that their companies practice or plan to practice flexitime. In the latest survey, they shared some of their practices on this. The most common practice among them is where employees are allowed to clock in and out later or earlier than the stipulated/official working time, with permissible time allowances ranging mostly from 30 minutes to two hours, with some even 3 or 4 hours. They are, however, required to fulfill eight work hours daily. In some firms, flexi-time is only allowed for selected/certain personnel such as females, those in senior positions (management and directors), customer service and sales.

## PROPERTY INVESTMENT

Malaysia's household-debt-to-Gross Domestic Product (GDP) ratio is a high 83%, the highest in emerging Asia. As a result, Bank Negara Malaysia recently tightened the home and personal loan regulations. Despite the more stringent lending facilities, respondents will continue to invest in property, with a majority of 45% disclosing this. Thirty per cent will invest less in property, while 16% will postpone theirs and 9% will cease such investment temporarily.

## VISTAGE PROGRAM IN MANDARIN

A total of 64% of the CEOs surveyed believed that there will be adequate interest in a Vistage program conducted in Mandarin.

## INVESTMENT PLAN IN THE NEXT SIX MONTHS

In the next six months, 49% (vs 48% in 2Q2013) of the respondents planned to invest in local real estate, 41% (vs 35% in 2Q2013) in equities, 34% (vs 31% in 2Q2013) in fixed deposits, 26% (vs 22% in 2Q2013) in unit trusts/mutual funds, 13% (unchanged at 13% as per 2Q2013) in gold, 12% (vs 11% in 2Q2013) in foreign real estate and 7% (vs 9% in 2Q2013) in bonds.

## 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 430 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](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 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

