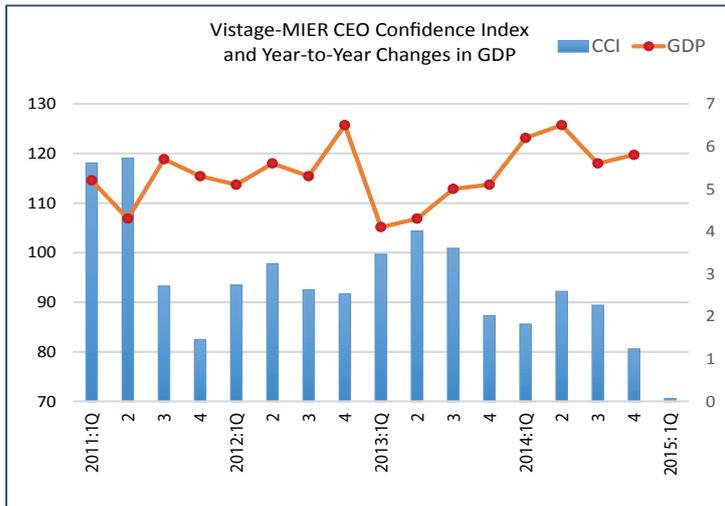


VISTAGE-MIER CEO Confidence Index

Surveying CEOs, Executives of small and mid-sized businesses since 2003

CONFIDENCE SINKS TO LOWEST IN ALMOST FIVE YEARS

Softer economic growth is clouding CEOs' optimism and their outlook for their firms in the short term.



Across-the board declines were recorded in all six components of the Index this time, led by the expected economic conditions index which dipped to its six-year low of only 28, followed by the current economic conditions index which, at 34, is also the lowest since 2Q2009. While a six-year low of 2% of the CEOs believed that economic conditions have improved lately, 68% felt otherwise, the largest proportion polled since 2Q2009. And more CEOs in the latest survey are bracing for worse economic times ahead, with a six-year high of 75% saying so.

Business expectations are consonantly tame and cautious. The latest expected profitability index (110) has moderated somewhat from last quarter's 111, with 38% looking forward to better profits in the coming months, the lowest since 4Q2011. The expected revenue index, however, fell for the fourth consecutive quarter to 123 in 1Q2015, with 44% being hopeful of procuring higher sales revenue soon, the lowest since 2Q2009.

Fixed investment expenditure is likely to be subdued, as majority of the CEOs are planning to maintain their capital investment for now, although 34% will be pumping in more of such investment in the coming months. Hires are also expected to pause in 2Q2015, with 53% stating that there will be no change in their employee headcount in the near term. 34% are, however, expecting more employees to join them soon, while 11% have retrenchment on their agendas instead.

CHALLENGES IN GST IMPLEMENTATION

Although most of the CEOs have, by now, registered for the Goods and Services Tax (GST), they still face challenges in the process of its implementation. Of the many challenges cited by respondents, the most common ones include: the lack of clarity, consistency and uniformity of information, policies and guidelines from the government; compliance and implementation of the GST accounting software which is complex due to the complicated tax codes; and the readiness of the system, employees, suppliers, users/customers and business partners. While some claim that some grey areas still exist and the final list from the Customs Department is still pending at this point in time, many also find it challenging to deal with the high cost of implementation and documentation, as well as cash flow management.

REVENUE AND PROFIT

Revenues of CEOs' companies trended higher for calendar year 2014 vis-à-vis calendar year 2013, with 53% of the respondents receiving higher revenues in 2014. In terms of profits, 40% earned more in 2014 compared to 2013, while another 39% earned less and 20% saw no change in both their revenue and profits. This suggests that profitability, on the whole, has remained generally stable.

VISTAGE-MIER CEO Confidence Index Highlights

38% of CEOs projected higher profits, down from 39% in 4Q2014 and 45% in 1Q2014.

44% of CEOs expected higher revenues, down from 49% in 4Q2014 and 61% in 1Q2014.

53% of CEOs reported higher revenues in 2014 vis-à-vis 2013.

44% of CEOs do not employ foreign labour.

47% of CEOs believed that oil prices at USD50-60/barrel would impact them positively but moderately.

44% of CEOs opined that USD1:RM3.5 would have neutral impact on them.

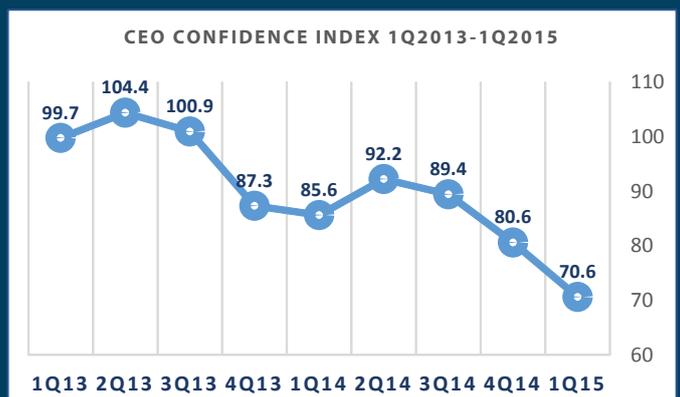
61% of CEOs planned to focus on their cash flow management in 2015.

51% of CEOs prioritised communication and problem-solving skills in their recruitment.

47% of CEOs felt they are overweight.

45% have high blood pressure.

40% of CEOs planned to invest in fixed deposits in the next 6 months.



The Vistage-MIER CEO Confidence Index fell for the third quarter in a row to 70.6 in 1Q2015, its lowest reading since 2Q2009. Its descent further below the 100-point threshold of confidence suggests pessimism and a more uncertain outlook for the first half of 2015.

FOREIGN LABOUR

While many Malaysian businesses are dependent on foreign labour, most CEOs in this survey are found to be otherwise. Majority (44%) do not employ any foreign workers, while most (29%) of those who do indicated that their foreign labour comprises less than 25% of their labour force, 13% noted theirs to be in the range of 25-50% and only 14% employ more than 50% foreigners.

IMPACT OF OIL PRICE

Over the next six months, should oil prices be sustained at USD50-60 per barrel, 47% of the respondents opined that such a development would positively affect them, albeit moderately, while 39% foresee the positive impact on them as minimal. However, 46% think the impact on them would be moderately negative and another 46% believe that the effect on them would be negative but minimal.

RM DEPRECIATION VIS-À-VIS USD

Should the Ringgit depreciate to RM3.50 vis-à-vis the USD in the next six months, most (44%) respondents are relatively neutral on the effect this would have on their businesses. 38% and 19%, however, think they would be net losers (importers) and net gainers (exporters), respectively.

TO IMPROVE RED TAPE AND SPECIAL CREDIT FACILITIES FOR SMEs

Results of the 3Q2014 survey show that most CEOs indicated that the cutting down on red tape and providing special credit facilities for SMEs trying to penetrate ASEAN markets should be highlighted at the AEC this year. To address the red tape issue, some of the suggestions given by the respondents include: providing grants to SMEs to venture into ASEAN markets; simplifying and standardizing the application procedures; improving transparency with proper guidelines and having open tenders; reducing/eliminating non-tariff barriers (e.g. local approvals, permits, local test certificates); allowing online applications; and adopting a one-stop centre for licensing and all necessary approvals.

To improve the provision of special credit facilities for SMEs, respondents suggested, among others, the following: provide competitive/subsidized interest rates and flexible repayment schedules, relax loan requirements, provide credit facilities for exporters and capital investment, establish cross-border financing, expedite approval of credit facilities to SMEs and eliminate bank charges between ASEAN countries.

BUSINESS FOCUS AREAS IN 2015

In 2015, 6-in-10 of the CEOs would be focusing their businesses on cash flow management, while 54% would be paying their attention to strategic planning and 5-in-10 are more interested in enhancing their products and services. 48% would also be looking into talent recruitment, and 38% into training and development. Some of the other focus areas listed by the CEOs include market/regional expansion and development, joint-ventures, cost reduction and management, sales revenue and market positioning, patents and trademarks innovation, procurement and team management.

PREVENTIVE MEASURES TO PROTECT FIRM'S IT NETWORK

CEOs generally go to great lengths to protect their firms' IT network by taking pre-emptive measures such as installing/upgrading their firewall and anti-virus software, upgrading their server security and operation systems and migrating to gmail-based and Cloud-based storage/computing. Some of them also limit their user access and circulation of information, encrypt emails, engage a reputable IT company/consultant to improve their software, install an independent/additional server for data back-up, practise corporate code of conduct/good governance/non-disclosure, buy only licensed software and update their password regularly.

PRIORITY SKILLS SOUGHT IN RECRUITMENT

In recruiting, the priority skills that CEOs look for are communication and problem-solving skills, as indicated by 51% and 48% of the CEOs, respectively. Leadership skills are important for 33% of the respondents, while 25% and 22% are interested in critical thinking and analytical skills, respectively. Creativity and entrepreneurship are, however, the priority of 17% and 15% of the CEOs, respectively.

PERSONAL HEALTH AND KEEPING FIT AND HEALTHY

The latest scorecard on CEOs' personal health shows that 47% are overweight, while 45% and 20% suffer from high cholesterol and high blood pressure, respectively. While some CEOs have issues with fatty liver (18%), high uric acid (16%) and diabetes (6%), 10% revealed having other problems such as gall bladder stone, insomnia/lack of sleep, back and eye issues, gastritis, gout, muscle strain, panic/anxiety attacks and being underweight.

To stay fit and healthy, most of them jog/brisk walk (51%), watch what they eat (49%), work out in the gym (26%), play badminton/squash/tennis/golf (22%), swim (13%) and perform yoga/tai-chi/meditation (12%). There are also others who go for cycling, basketball, soccer, table tennis, futsal, ice hockey; mountain biking; rock climbing; hiking; horse riding; pilates; or dancing.

INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, 4-in-10 CEOs plan to park their money in fixed deposits, while 36% will invest in equities, 32% in local real estate, 23% in unit trusts/mutual funds, 11% in foreign real estate and 6% in bonds. 5%, however, are looking into the following investments: gemstones, foreign currency, export stock market, business acquisition/diversification, foreign exchange/oil shares, retail/food and beverage, solar FiT system or property.

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, USA, Canada, UK and Australia.

ABOUT VISTAGE MALAYSIA AND MIER

Vistage Malaysia is a licensee of Vistage International, USA, the world's leading chief executive leadership-development organization, providing unparalleled access to issue-resolution and better performance through monthly peer-advisory groups, one-on-one business coaching, expert-speaker presentations, and extensive online connectivity spread over 1,800 cities in 16 countries with more than 18,000 members worldwide.

Vistage Malaysia has more than 470 members with combined annual revenue of RM45 billion and employing over 60,000 employees. Vistage member companies grow, on average, 2.5 times faster than they did prior to joining Vistage.

In 4Q 2005, Vistage Malaysia entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the CEO Confidence Index. 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 private sector by providing an objective and impartial understanding of socio-economic issues of national, regional and global importance.