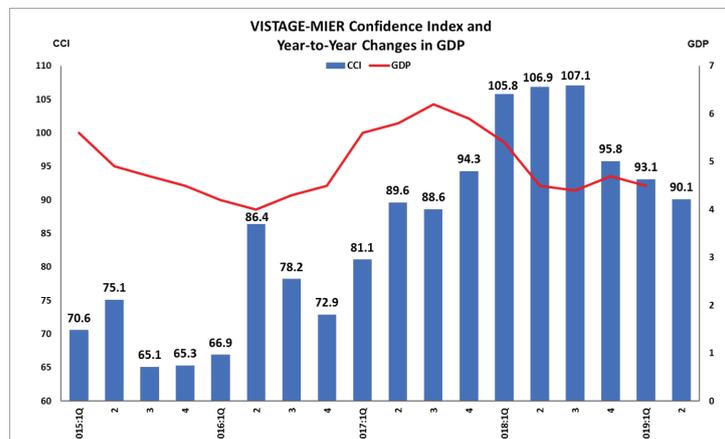


CONFIDENCE TAKES ANOTHER KNOCK

CEOs are increasingly cautious with the prospects of their businesses going forward as global economic tensions and uncertainties remain unabated, putting a toll on the Malaysian economy. Reflecting this is the VISTAGE-MIER CEO Confidence Index which shed three points on the quarter to 90.1 in 2Q2019, its third consecutive fall below the optimism threshold since 3Q2018.



CEOs' latest scorecard of the local economy is the least satisfactory in three quarters. This is shown by the current economic conditions index which, at 68, has retreated seven points from 1Q2019 and 24 points year-on-year. Only 11% of the 638 CEOs gave the economy their thumbs up lately, while 43% believed it has worsened and 47% have not seen any change. Economic expectations for the coming months are more optimistic, with the index for expected economic conditions picking up six points from 1Q2019. Although the proportion of CEOs this quarter anticipating the economy to improve soon remained at 32% as in the previous quarter, those who responded negatively have, correspondingly, declined to 21% from 27% as well.

CEOs are equally cautious about the business outlook of their firms in the near term. They are adjusting lower their projections for capital investment, profitability and, in particular, revenue. The index for expected revenue plummeted twenty points from 1Q2019 to 125 in 2Q2019, with 52% of the CEOs forecasting higher revenues soon, down from 57% and 61% in 1Q2019 and 2Q2018, respectively. The expected index for capital investment this quarter lost a point from 1Q2019's 128, indicating that such expenditure will likely be less active in the coming months. Profits are also expected to moderate, as reflected by the index for expected profit which, at 122, also fell one point from the last quarter. 42% of the CEOs are anticipating higher profits soon, down from 45% in 1Q2019 and 52% in 2Q2018.

The latest expected index for employment has not changed from its previous quarter's reading of 128, suggesting that hiring will likely be put on hold for now. 4-in-10 of the CEOs are planning to increase their headcount soon, the same proportion who did so in 1Q2019. New local and export orders are also expected to slow down in the months ahead. 45% and 31% of the CEOs foresee an increase in orders locally and from abroad soon, down from 46% and 31% in 1Q2019. Perhaps the best news to an otherwise lull outlook is prices. A four-quarter high of 59% of the CEOs have maintained their sale prices in 2Q2019, the largest proportion since 2Q2018. 24% adjusted their prices higher, while 16% slashed theirs recently.

VISTAGE-MIER CEO Confidence Index Highlights

52% of CEOs forecasted better revenues, compared to 57% in 1Q2019 and 61% in 2Q2018

42% of CEOs projected higher profits, compared to 45% in 1Q2019 and 52% in 2Q2018

31% of CEOs expected an increase in export orders, down from 35% in 1Q2019

59% of CEOs to maintain their sale prices in the coming months

44% of CEOs believed that the current administration has no impact on their business prospects

45% of CEOs noted better sales and 41% reported lower profits from October 2018 to March 2019 compared to October 2017 to March 2018

40% of CEOs revealed higher sales and 40% indicated smaller profits between October 2018 to March 2019 compared to April 2018 to September 2018

56% of CEOs said existing business conditions have not caused them to drop prices in the last six months

38% of CEOs were charged higher prices by their suppliers/vendors during the last six months

66% of CEOs planned to invest in CRM in the next 12 months

46% and **28%** of CEOs are using cloud computing and cybersecurity, respectively

70% and **67%** of CEOs are not using additive manufacturing and augmented reality, respectively

| | 1Q 2018 | 2Q 2018 | 3Q 2018 | 4Q 2018 | 1Q 2019 | 2Q 2019 |
|--|---------|---------|---------|---------|---------|---------|
| VISTAGE-MIER CEO CONFIDENCE INDEX | 105.8 | 106.9 | 107.1 | 95.8 | 93.1 | 90.1 |
| COMPONENTS | | | | | | |
| Current Economic Conditions | 101 | 92 | 107 | 80 | 75 | 68 |
| Expected Economic Conditions | 118 | 142 | 146 | 113 | 105 | 111 |
| Expected Change in Employment | 140 | 140 | 136 | 130 | 128 | 128 |
| Planned Fixed Investment | 140 | 140 | 136 | 130 | 128 | 127 |
| Expected Revenue Growth | 157 | 153 | 148 | 142 | 145 | 125 |
| Expected Profit Growth | 144 | 141 | 137 | 129 | 123 | 122 |

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.

BUSINESS PROSPECTS

According to most (44%) CEOs, business prospects in the country have not changed under the helmsmanship of the current administration. Another 23% believed that opportunities have improved for their businesses, while 33% opined otherwise.

SALES & PROFITS: OCT 2018 - MAR 2019 VS OCT 2017 - MAR 2018

Compared to the preceding six-month period (October 2017 and March 2018), sales of most CEOs in the latest period (October 2018 to March 2019) have generally improved, but not their profits. 45% in the latest period noted improvements in their sales, while 35% saw a decline in theirs and 20% responded neutrally.

Profits were less encouraging in the latest period than the preceding period, with majority (41%) in the former saying that their profits have declined, while 33% observed improvements in theirs and 24% said that their profits have remained the same.

SALES & PROFITS: OCT 2018 - MAR 2019 VS APR 2018 - SEPT 2018

Measured from the preceding period of April 2018 to September 2018, sales and profits in the latest period from October 2018 to March 2019 were also higher and lower, respectively. 40% of the CEOs indicated that their sales in the latest period have improved from the preceding period, while 36% experienced slower sales and 24% reported unchanged sales.

Profits fell for most CEOs in the latest period compared to the preceding period, with 40% reporting a reduction in their profits lately. 31% enjoyed higher profits, while 27% managed to maintain theirs between October 2018 to March 2019.

PRICES IN THE LAST 6 MONTHS

Existing business conditions have no impact on price reductions in the last six months, as attested to by 56% of the CEOs. 44% begged to differ, and of which 51% estimated the impact on their prices at more than 5% but less than 10%, while 25% and 24% rated theirs at less than 5% and more than 10%, respectively.

During this period, 38% of the CEOs claimed that they were charged higher prices by their suppliers/vendors, while prices have remained the same for 46%, and 10% were even given price cuts.

In terms of funding, majority (66%) of the CEOs sourced theirs from commercial banks, while 37% obtained their funds through advances from directors. 9% and 7% are funded by personal loans, and development financial institutions, respectively, while another 9% acquired theirs through soft loans or grants from government bodies. Other sources of funding that some CEOs turned to include, among others, Angel investment, contract financing, corporate funding, new investor, private equity and retained earnings.

ADOPTION AND AWARENESS OF INDUSTRY 4.0

Nine technologies under Industry 4.0 were identified by the Boston Consulting Group: big data (advanced data analysis methods for predictive analytics, user behaviour analytics); autonomous robots (robots performing complex tasks, interacting with one another and working safely and learning with humans); simulation (3D simulation of product development and production processes); vertical and horizontal system integration (an interconnected organisation including with other companies, suppliers, vendors, customers, etc);

industrial internet of things (machines fitted with sensors and interconnected with each other to collect and share data); cybersecurity (technology to protect information systems and manufacturing lines from cybercrime threats); cloud computing (storage of and access to data and programmes over the internet instead of own computer's hard drive); additive manufacturing (technologies that build physical 3D objects by adding layer-upon-layer of materials); and augmented reality (computer-generated virtual reality giving live view of real-world environment with sound, video, graphics, haptics or GPS data).

CEOs were asked of the status of their adoption and awareness of each of the above technologies in their companies. Overall, awareness of these technologies among CEOs is generally high, but not their adoption. In terms of adoption/usage, except for cloud computing and cybersecurity which have 46% and 28% of the CEOs using them, the survey found that only 4%-12% are using the other six technologies, inferring that Industry 4.0 is still at the nascent stage of adoption and awareness among CEOs.

Topping the list of the six technologies currently not used by CEOs is additive manufacturing (70% responses), followed by augmented reality (67%), simulation (63%), industrial internet of things (53%), vertical and horizontal system integration (47%) and cybersecurity (36%).

Of those planning to use these technologies, big data is the most popular, with majority (44%) of the CEOs expressing interest in using it sometime soon. Vertical and horizontal system integration received the second largest votes, with 32% having intentions to use it, and 29% will likely adopt the industrial internet of things in the near future as well.

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 advisor groups, one-on-one business coaching, expert speaker presentations, and extensive online connectivity spread over 1,800 cities in 22 countries with more than 23,000 members worldwide.

Vistage Malaysia has more than 750 members with combined annual revenue of RM60 billion and employing over 100,000 employees. Vistage member companies grow, on average, 2.2 times faster than they did prior to joining Vistage. In 4Q2005, 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.