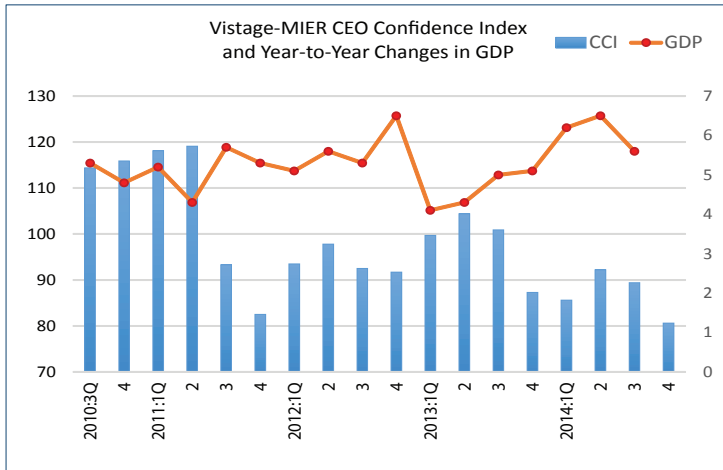


## VISTAGE-MIER CEO Confidence Index

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

### CONFIDENCE AT A LOW EBB

CEOs appeared to be watching the Malaysian economy and prospects of their firms more closely now than before with lower expectations going forward.



While all six components comprising the Index registered lower this time, the latest reading is driven mainly by the expected economic conditions index which, at 57, plummeted eighteen points from 3Q2014. Of the 373 respondents, 52% expect economic conditions to deteriorate further soon, up from 40% and 37% in 3Q2014 and 4Q2013, respectively.

CEOs are also portending a less robust near-term outlook for their businesses. The expected profitability index lost thirteen points from last quarter's 124, with 39% of the respondents forecasting higher profits in the near term, down from 44% in both 3Q2014 and 4Q2013. Hirings are also expected to be less ambitious with fewer (35%) respondents planning to beef up their employee headcount soon, compared to 42% and 37% in 3Q2014 and 4Q2013, respectively. The index for expected revenue retreated eight points from 3Q2014 to 135 currently, with 49% looking forward to reaping higher sales revenue in early 2015, compared to 54% and 53% in 3Q2014 and 4Q2013, respectively. Fixed investment expenditure is also expected to cool in the months ahead, with those contemplating on cutting back on such investment having increased to 16% from 11% a quarter ago.

### REGISTRATION FOR THE GOODS AND SERVICES TAX (GST)

CEOs are generally gearing up for the implementation of the Goods and Services Tax (GST) which was opened for registration to companies recently. 64% of the respondents said that they have already registered, while 21% are in the process of registering and 15% noted that they are aware of it.

### CHALLENGES FACED IN THE IMPLEMENTATION PROCESS OF THE GST

Notwithstanding the registration of the GST by majority of the respondents, 60% are still unclear about the operational guidelines issued by the authorities. While 40% are facing a shortage of adequately trained staff for the implementation of the GST, 33% find the accounting software a challenge. Another 7% cited, among others, challenges such as ambiguity in the actual procedures involved, billing to meet the 21-day closing period for tax refund, unavailability of a complete list of non-GST-related items, cash flow and credit control concerns, and the costly consultancy fees and set-up to GST readiness.

### LENDING PROBLEMS WITH LOCAL AND/OR FOREIGN BANKS

CEOs are generally not affected by the recent tightening of lending by banks. 98% said they have no lending problems with local banks, while 59% noted the same with foreign banks, indicating that local banks are likely more flexible than their foreign counterparts on business lending. Of those with lending experiences with local banks, rejection of new applications and credit limit cut-back were the main problems faced, with 30% and

## VISTAGE-MIER CEO Confidence Index Highlights

**39%** of CEOs expected profits to increase, down from 46% in both 3Q2014 and 4Q2013.

**49%** of CEOs forecasted higher revenues, down from 54% in 3Q2014 and 53% in 4Q2013.

**64%** of CEOs have already registered themselves for the Goods and Services Tax (GST).

**40%** of CEOs faced a shortage of adequately trained staff for GST implementation.

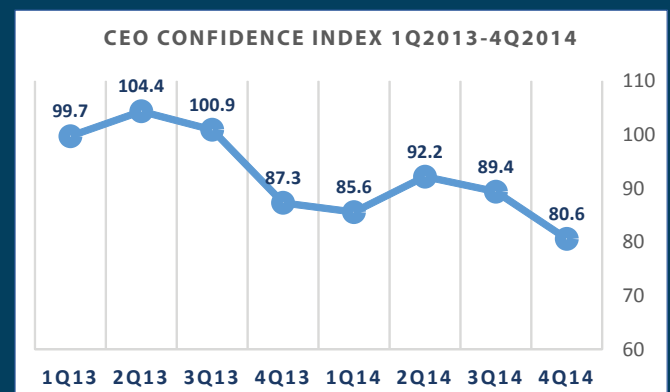
**98%** of CEOs have no lending problems with local banks.

**68%** of CEOs opined that the government should revisit regulations governing the property sector.

**32%** of CEOs believed that the fuel price hike would have significant impact on their cost of doing business.

**74%** of all CEOs ranked their level of competitiveness over the last 12 months as "reasonably competitive".

**71%** of CEOs use Facebook and **66%** use Google.



The Vistage-MIER CEO Confidence Index fell to its five-quarter low of 80.6 in 4Q2014, ebbing almost nine points quarter-on-quarter. Only 5% of the respondents opined that overall current economic conditions in the country have improved, the lowest proportion polled since 1Q2009.

25% being polled, respectively. With foreign banks, however, credit limit cut-back and rejection of new applications topped CEOs' list of lending woes, with 19% and 18% saying so, respectively. Other lending problems listed include the lack of funding structures for longer-term (three years) financing of small ticket receivables, stringent CCRIS check and slow processing from selected banks.

### THE PROPERTY SECTOR

With the property sector currently subdued following various cooling measures by the government, stricter lending guidelines and new price thresholds for foreign ownership, 68% of the respondents believed that it is time now for the government to revisit the regulations governing the sector.

### IMPACT OF FUEL PRICE HIKE ON COST OF DOING BUSINESS

With the increase in fuel price on 2 October 2014, 49% of the respondents expect its adverse impact on their cost of doing business to be moderate, while 32% think it would be significant on them and 19% believe that they will be affected only marginally. The latest fall in the price of RON97 effective 19 November 2014 is not factored in here as this survey was concluded prior to the announcement.

### LEVEL OF COMPETITIVENESS

According to the Global Competitiveness Report 2014-15 by the World Economic Forum, Malaysia is commendably ranked 20th as the most competitive economies among 144 nations. Such a respectable ranking is, according to 55% of the respondents, reflective of their own company's level of competitiveness, but 45% said otherwise. 74% also ranked their level of competitiveness over the last 12 months as "reasonably competitive", 19% "very competitive" and 7% "not competitive at all".

### THE THREAT OF EBOLA

The Ebola virus recently found its way into the US and, if not controlled, will spread rapidly worldwide. To address this potential threat, respondents suggested that the government should put in place the following pre-emptive/pro-active measures: stringent control, regular monitoring and proper screening of all inbound travellers at all entry points to Malaysia; restrict entry and quarantine of travellers from affected countries, particularly those from Africa; proper training of healthcare/medical staff in handling such cases; and educate the public by creating public awareness through media and agencies.

### HOME REMEDIES FOR DENGUE

Of the home remedies tried and found effective for treating dengue, papaya leaf juice was voted by 75% of the respondents, followed by coconut juice with 20% responses, and bittergourd and frog soup 18%. Another 10% of the respondents recommended beetroot juice, date juice, fruit juices (kiwi, watermelon), vitamin C and health supplements, drinking and inhaling green tea, crab soup and 100 Plus (isotonic drink).

### SOCIAL MEDIA AS A BUSINESS TOOL

Using social media as a business tool, Facebook and Google are the most popular among the respondents, with 71% saying they are users of Facebook and 66% of Google. Others use Youtube (37%), LinkedIn (34%), company blog (28%), Twitter (17%), Instagram (11%) and Pinterest (3%).

### PROJECTED RATE OF SALARY INCREMENT & BONUS PAYOUT

Salary increments for managerial and non-managerial positions are expected to be mainly in the range of 0-10% for financial year ending 31 December 2014. Of the 366 CEOs who responded to this question, 174 and 158 of them are projecting a salary increment of 0-5% for managerial and non-managerial positions, respectively.

Those planning on 5-10% for managerial and non-managerial positions totaled 167 and 178, respectively. Only five respondents are looking at more than 15% for managerial staff and four for non-managerial staff.

The projected rate of bonus payout, however, looks likely to be mostly in the range of 0-2 months. 152 and 181 of the respondents are planning on a bonus of 1-2 months for managerial and non-managerial positions, respectively. Those considering 0-1 month bonus for managerial and non-managerial categories totaled 109 and 120, respectively.

Three CEOs are projecting more than six months' bonus for their managerial staff, while two CEOs are projecting the same for their non-managerial employees.

### ATTRIBUTES AS PER VISTAGE'S MISSION

Reflecting on Vistage's mission of increasing the effectiveness and enhancing the lives of CEOs and their key executives, most respondents think that they have, since joining Vistage, developed themselves positively in the following attributes (in descending order by number of votes): strategic thinking (340), willingness to empower people (312), leadership skill (303), listening skill (303), ability to hold people accountable (261), work life balance (251) and time management (222).

### INVESTMENT IN THE NEXT SIX MONTHS

Most (41%) CEOs are planning to park their money into fixed deposits in the next six months, while 38% will be investing in equities. 37% are interested in local real estate, 26% in unit trusts/mutual funds, 11% in foreign real estate and 8% in bonds.

Another 4% will be investing in ailing or beleaguered companies with recovery potential, foreign exchange, cars, solar residential system, foreign company, annulment plans and insurance, related business and overseas.

### 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 460 members with combined annual revenue of RM30 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.