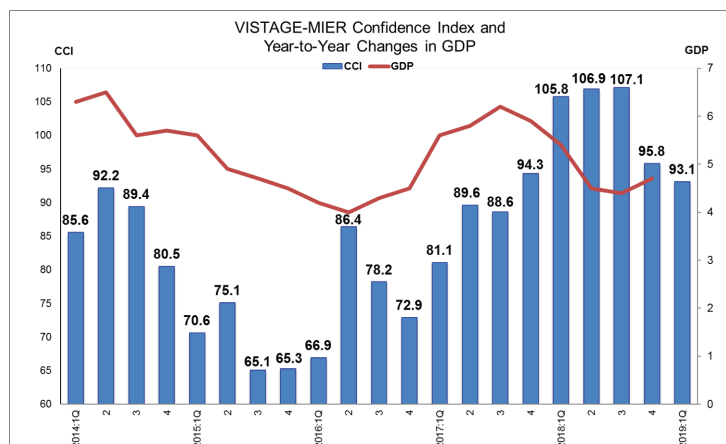


CONFIDENCE WANES FURTHER

CEOs kicked off 2019 on a slow note as uncertainty continues to cloud the global economy, further challenging the Malaysian economy. Indicating this is the VISTAGE-MIER CEO Confidence Index which fell for the second quarter in a row below the 100-point optimism threshold. At 93.1 in 1Q2019, it shows CEOs' further lack of optimism with the current state of the economy and the outlook of their businesses moving forward.



CEOs' assessment of the domestic economy is less favourable lately. This is reflected in the current economic conditions index which, at 75, has lost five and twenty-six points from 4Q2018 and 1Q2018, respectively. 12% of the 650 CEOs believed that the economy has improved in 1Q2019, down from 14% in 4Q2018 and 24% in 1Q2018. Negative responses were also higher this time around, with 37% saying that the economy has worsened in 1Q2019, up from 34% in 4Q2018 and 23% in 1Q2018. Their expectations of the economy in the coming months are more optimistic, albeit cautiously. Denoting this is the index for expected economic conditions which fell to 105 from 113 in 4Q2018 and 118 in 1Q2018. 32% are hopeful of an economic upturn soon, down from 35% in the prior quarter.

CEOs' near-term projections for the firms are equally moderate. Except for revenue, they have lowered their expectations for their profits, investments and employment. The latest index for planned fixed investment fell two points on the quarter to 128 in 1Q2019, with 42% of the CEOs planning to increase their capital expenditure soon, down from 44% in 4Q2018 and 50% in 1Q2018. The expected profit index retreated six points from last quarter to 123 in 1Q2019. 45% of the CEOs are looking forward to higher profits in the coming months, down from 47% in 4Q2018 and 55% in 1Q2018.

The expected employment index for 1Q2019 declined two points from 4Q2018. At 128, it suggests that a slight breather in hiring can be expected in the coming months. 40% of the CEOs are planning to add their headcount soon, down from 41% and 48% in 4Q2018 and 1Q2018, respectively. Sales revenue is expected to improve in the next quarter or two. This is shown by the index for expected revenue which rose to 145 in 1Q2019, up three points quarter-on-quarter. 57% responded positively, up from 55% in 4Q2018.

Local new orders have remained steady, while those from abroad have gained some momentum recently. 46% of the CEOs reported receiving more orders locally in 1Q2019, unchanged from the previous quarter's 46%. Export orders increased for 35% of the CEOs, up from 33% a quarter ago. There is much to cheer about on the latest price scene. Only 28% of the CEOs raised their local sale prices in 1Q2019, the lowest proportion tabulated since 2Q2018. Most (59%) have retained their prices, while 13% have even offered price-cuts.

VISTAGE-MIER CEO Confidence Index Highlights

57% of CEOs expected revenues to improve, compared to 55% in 4Q2018 and 66% in 1Q2018

45% of CEOs projected better profits, compared to 47% in 4Q2018 and 55% in 1Q2018

35% of CEOs received more export orders, up from 33% in 4Q2018

48% of CEOs offered more employee benefits to address difficulty in hiring workers

41% of CEOs opined that retention and engagement of talent management is of highest importance

47% of CEOs believed that sales of customer engagement is most important

48% of CEOs viewed productivity and execution of business operations as most important

52% of CEOs agreed that capital/cash management of financials is the most important

46% said strategic planning of leadership should be of highest importance

40% of CEOs planned to invest in CRM in the next 12 months

46% and **44%** of CEOs increased the salaries of their managerial and non-managerial staff by 1%-5%, respectively

37% and **43%** of CEOs rewarded their managerial and non-managerial staff with bonuses of >1-2 months, respectively

52% of CEOs planned to park their money in fixed deposits/cash in the next 6 months

	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019
VISTAGE-MIER CEO CONFIDENCE INDEX	94.7	105.8	106.9	107.1	95.8	93.1
COMPONENTS						
Current Economic Conditions	81	101	92	107	80	75
Expected Economic Conditions	98	118	142	146	113	105
Expected Change in Employment	134	140	140	136	130	128
Planned Fixed Investment	134	140	140	136	130	128
Expected Revenue Growth	144	157	153	148	142	145
Expected Profit Growth	125	144	141	137	129	123

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.

INITIATIVES TO ADDRESS DIFFICULTY IN HIRING WORKERS

As hiring, according to some CEOs, has become increasingly difficult, CEOs have undertaken initiatives to address this problem. Among these, offering additional employee benefits topped the list of most CEOs, with 48% saying they have implemented this. The offer of apprenticeship or internship programme was next on the list, followed by an increase in capital investment to increase automation and boosting wages, as noted by 38%, 37% and 36% of the CEOs, respectively. 16% of the CEOs allow their employees to work remotely, while 13% are slowing or delaying their expansion plans and 11% are adjusting their fulfilment/delivery times. Some CEOs shift their work abroad and reduce marketing activities. Among some of the other initiatives/measures mentioned include hiring foreign/contractual workers, offering profit-sharing scheme, creating a better work environment, improving in-house training and development, outsourcing and adopting an entrepreneurial-based model as Gen Y has a higher approach to ownership.

GETTING THE RIGHT TALENT

Overall, CEOs have most difficulties getting the right talent in the middle category of their organisations, namely, in sales, followed by general management, marketing, technical/engineering, accounts/finance, human resource, IT and production.

In terms of top management, most CEOs encounter difficulties getting the right talent in general management, followed by sales, accounts/finance, marketing, technical/engineering, human resource, IT and production.

For the lower tier of the CEOs' organisations, most of them face difficulties in hiring the right talent in the areas of sales, followed by technical/engineering, production, marketing, general management, accounts/finance, IT and human resource.

For support staff, most CEOs find it hard to get the right talent for production, followed by technical/engineering, sales, IT, general management, marketing, human resource and accounts/finance.

WORK PERMITS OF FOREIGN WORKERS

In recruiting and/or renewing the work permits of foreign workers for CEOs' business needs, only 34% of the CEOs encounter problems, while 23% have none.

TALENT MANAGEMENT, CUSTOMER ENGAGEMENT, BUSINESS OPERATIONS, FINANCIALS & LEADERSHIP

CEOs were asked to rank several areas of talent management, customer engagement, business operations, financials and leadership by order of importance for their businesses for 2019 from a scale of 1 (highest importance) to 6 (lowest importance).

In the area of talent management, the two most important areas for most CEOs are retention and engagement, as well as hiring, recruitment and sourcing, with 41% and 31% according both a ranking of 1, respectively. The next most important areas are employee development and performance management/HR, with each receiving a ranking of 2 from most CEOs. Succession planning was ranked 5 by most CEOs.

In the area of customer engagement, a ranking of 1 was given by most CEOs in the following areas: sales (47% votes), market development (40%), customer service (39%), and product and pricing (27%). Marketing was ranked 2 by most CEOs (27%).

Where business operations are concerned, majority of the CEOs opined that productivity and execution (48% votes), systems and processes (31%), technology (27%), and manufacturing and distribution (21%) are the most important (rank 1) for their businesses. Risk management was ranked 2 by most CEOs (28%).

For financials, the highest importance was given by most CEOs to capital/cash management (52% votes), financial management, budgeting, forecasting, metrics and report (39%) and economic/future trends (25%). A ranking of 2 was given by most CEOs to audit and control, as well as ownership and governance.

In the area of leadership, most CEOs perceived the following to be the most important (rank 1) for them: strategic planning (46% votes); mission, vision, purpose (44%); communication and alignment (36%); organisational culture and values (31%); and ability to make timely tough decisions (29%).

INVESTMENT IN BUSINESS SOFTWARE/APPLICATIONS IN THE NEXT 12 MONTHS

In the next twelve months, most (40%) CEOs will likely invest in CRM (Customer Relationship Management), while 31% are setting their sights on eCommerce, 25% on ERP (Enterprise Resource Planning) and another 25% on human resource/workforce management. 21% each are contemplating investing in accounting/financial management and collaboration/project management. Only 17% have no such plans anytime soon.

SALARY INCREMENT AND BONUS PAYOUT

For financial year ended 31 December 2018, most CEOs will increase the salaries of both their managerial and non-managerial staff by 1%-5%. This was revealed by 46% and 44% of the CEOs for their managers and non-managers, respectively. 24% are planning an upward salary adjustment of >5%-7% for their managers, while the same rate is being considered by 28% for their non-managerial employees.

Increments of >7%-10% are being planned by 13% and 17% of the CEOs for their managerial and non-managerial staff, respectively. 5% are mulling over a rate of >10% for their managerial staff, while 9% will likely do the same for their non-managerial staff. No increments can be expected from 18% and 12% of the CEOs for their managers and non-managers, respectively.

In terms of bonus, a quantum of >1-2 months was revealed by most CEOs for both their managerial and non-managerial staff, with 37% and 43% confirming this, respectively. A bonus of up to one month was disclosed by 36% of the CEOs for their managers and 41% for their non-managers. 24% and 17% planned on a bonus payout of >2-4 months for their managers and non-managers, respectively. A rate of 4-6 months was considered by 5% of the CEOs for their managers and 2% for their non-managers. Only 2% and 1% divulged a bonus payout of >6 months for their managerial and non-managerial staff, respectively.

INVESTMENT IN THE NEXT 6 MONTHS

The top three investments for CEOs in the next six months are fixed deposits/cash, equities and local real estate, with votes of 52%, 41% and 32% being received, respectively. 28% are interested in investing in unit trusts/mutual funds/Private Retirement Scheme, while 11% will likely dabble in foreign currencies, 10% in bonds and 7% in private equity. 6% are planning to invest in gold and/or silver, while 3%-5% are considering investing in Fintech, cryptocurrency and foreign real estate in the coming months.

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.