



1Q2013 VISTAGE-MIER CEO CONFIDENCE INDEX

CONFIDENCE STILL LOW BUT PICKING UP

Lately, CEOs appear to be displaying cautious optimism about the Malaysian economy. Reflecting this is the Vistage-MIER CEO Confidence Index which has increased eight points quarter-on-quarter to 99.7 points in 1Q2013. While this shows an improvement, CEO confidence generally remains low as the Index continues to stay below the 100-point demarcation level for the seventh consecutive quarter. This cautious optimism may reflect the fact that the Malaysian economy grew faster than expected in 4Q2012, expanding 6.4% on a resilient domestic demand and 5.6% for the full year.

All six component indices of the Index rose higher in 1Q2013 than 4Q2012, led by current and expected economic conditions. Of the 366 respondents to the survey, 14% of them saw an improvement in economic conditions in 1Q2013, up from 9% and 11% in 4Q2012 and 1Q2012, respectively. Also a smaller proportion this time around (23%) responded negatively, down from 38% in 4Q2012, and 29% in 1Q2012. Economic expectations are also trending up. Some 26% of the CEOs surveyed foresee a better economic vista in the coming months, compared with last quarter's 17% and 1Q2012's 18%. Only 24% thought otherwise, down from 34% in 4Q2012 and 40% in 1Q2012. 45% of the respondents also intend to employ more staff in the near term, surpassing the prior quarter's 42%.

62% of the respondents are optimistic of an increase in their sales revenue in the months ahead, up from 57% in 4Q2012. 48% of the respondents forecast higher profitability, up from 46% in 4Q2012. On a positive note, those who foresee a slide in revenue and profitability are smaller in numbers this time around compared with 4Q2012. A total of 44% of the respondents are also planning to pump more ringgit into plant and equipment in the near term, up from 40% in 4Q2012. Such plans are, however, on hold for another 44% of the respondents, while 11% are likely to trim theirs in the coming months.

MEASURES BY PUBLIC SECTOR TO MITIGATE CORRUPTION

With 27% of the respondents in the prior survey revealing that their refusal to partake in corrupt practices has cost them business or business opportunities, they were subsequently asked what measures they would suggest the public sector implement to mitigate this issue.

Responses included the following: transparency, independence of public institutions, enforcement, equality, meritocracy, accountability, enforcement, governance and awareness. Of these, transparency topped the list with respondents suggesting, among others, open and transparent bidding/tender process for all contracts, transparency in accounting practices, and business transactions or processes, especially those relating to government.

Respondents also suggested that independence of public institutions like the judiciary and anti-corruption agencies like the MACC should be upheld and free from political interference. Equality is also prominently advocated by respondents who suggested the removal of all race-based policies, and that meritocracy should be the way to go in the selection and award of contracts. There were also suggestions that the government educate the public by creating more awareness on the ills of corruption through campaigns, especially to the young.

Also included was enforcement which respondents felt should be carried out to weed out parties engaged in corrupt practices, with heavy punitive measures imposed on both giver and taker. Other recommendations put forth by respondents included the following: enforcement should be strong and strict to bring to book offenders of such practice, the public/civil service sector should be downsized with an upward adjustment in the wages/salaries (thereby increasing productivity) and red tape should be reduced by cutting down on the number of licenses required to carry out business activities.

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013
VISTAGE-MIER CEO CONFIDENCE INDEX	82.5	93.5	97.8	92.5	91.7	99.7
COMPONENTS						
Current Economic Conditions	63	82	91	78	71	91
Expected Economic Conditions	62	78	93	79	83	102
Expected Change in Employment	135	136	141	134	134	136
Planned Fixed Investment	118	130	130	133	126	133
Expected Revenue Growth	131	149	148	142	149	155
Expected Profit Growth	115	132	136	133	130	137

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.

MEASURES BY PRIVATE SECTOR TO MITIGATE CORRUPTION

Many of the measures suggested by respondents (above) that the public sector implement to fight corruption are similarly suggested for the private sector, namely, transparency, enforcement, independence of public institutions, awareness, accountability and governance. Many of the CEOs have called for the strong and strict adherence to accepting and following the law by adopting and practicing the standard code of business ethics as a corporate culture, and to build networks and relationships through activities, contributions, and/or partnerships. Benchmarking is also viewed, by some respondents, to be the best exercise/ framework for transparent procurement.

Other suggestions by respondents included the following: company policies on accepting gifts should be more restrictive and third party agents for business applications should be avoided; there must be checks and balances, and key decisions should not be left to a select few; there should be a reasonable level of remuneration and incentives to private sector employees to deter thoughts of increasing one's income through corruption; there should be a reduction in red tape; meritocracy, not race, should be made a criteria to ensure fair play; companies should adopt strong corporate governance and corporate social responsibility in their fight against graft; and the private sector should also be educated through awareness initiatives on corruption.

PERSONAL DATA PROTECTION ACT 2010 AND ITS IMPLICATIONS

The Personal Data Protection Act 2010 came into force on 1 January 2013. As this is a new Act, respondents were asked if they were aware of it and its implications. A majority of 45% were not, while 30% are aware, and 36% think that there is a need for educational awareness talks on it.

Actions taken by those who responded "Yes" to protect their organization against any possible breach of the Act include educating their employees by conducting awareness training and briefing by legal professionals, having all employees sign a non-disclosure agreement, changing covering letters to include informing clients of their responsibilities and their implied consent, identifying source of incoming database, modifying standard operating procedures, and ensuring that functional and line managers are trained and aware of the Act. Other responses included being aware of this Act but the respondents have not done much to date as they needed further guidelines on it, or that the relevance of the Act is limited insofar as their business is concerned, while some respondents said are working on it, citing "work is in progress".



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GOODS AND SERVICES TAX (GST)

Some 61% of the CEOs in the 4Q2012 survey have not taken any action to prepare their companies for the implementation of the GST. When asked, this quarter, the reason for their inaction, a majority of 51% claimed that they do not have enough knowledge of the GST, while 36% do not think it will be implemented.

MALAYSIA A GREAT PLACE IN THE GLOBAL ECONOMY?

International surveys, according to The Star online recently, all point to Malaysia being a great place to be in the global economy in 2013. Respondents were asked if the finding is reflected in their 2013 business plans, to which 61% replied negatively.

IMPACT OF MINIMUM WAGE

With the minimum wage policy being effective this year, CEOs were asked the extent to which the wage increase had an impact on their annual payroll burden. The responses showed that a majority of 56% replied "not applicable", while 22% estimated their increase to be below RM250,000, 8% for those below RM500,000, 1% below RM750,000, 5% below RM1 million and 8% above RM1 million. To address the increase in their wage costs, one of the many actions some respondents are contemplating on taking is to pass the burden on to customers in the form of higher prices. Two other moves that also seem popular among respondents are automation and productivity increase. Others include implementing shorter working days and lean manufacturing to increase yield and efficiency, reducing overtime, as well as outsourcing, freezing and downsizing of manpower. There are respondents who said they are already paying their staff the stipulated minimum, or above the minimum, wages prior to the Act.

GENERAL ELECTIONS

More than half of the respondents do not think the delayed general elections have any impact on their businesses, while 34% are feeling an impact and only 10% responded favourably.

TALENTCORP

With regard to the TalentCorp program which was established more than two years ago, only 3% of the respondents employed staff who returned to Malaysia under this program, while 4% are in the midst of such recruitment.

RINGGIT VIS-À-VIS MAJOR CURRENCIES

With regard to the value of the Ringgit vis-à-vis four major currencies (US Dollar, Euro, Japanese Yen and Renminbi), 61% of the respondents appear most comfortable with the Ringgit/US Dollar, followed by the Ringgit/Renminbi (60%), Ringgit/Euro (59%) and Ringgit/Japanese Yen (57%).

INVESTMENT IN THE NEXT SIX MONTHS

Local real estate topped the list of investments to be made by respondents in the next six months, with 45% planning to invest in it, followed by fixed deposits/cash (38%), equities/shares (32%), unit trusts/mutual funds (25%), bonds and foreign real estate (12% each) and gold (10%).

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 410 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) 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

