



1Q2014 VISTAGE-MIER CEO CONFIDENCE INDEX

FURTHER DENT IN CONFIDENCE

CEOs are increasingly becoming more wary of the Malaysian economy and prospects of their firms as 2014 unfolds. After plummeting to a two-year low in 4Q2013, the Vistage-MIER CEO Confidence Index dipped even further three months on. At 85.6 points, the Index lost 1.7 points quarter-on-quarter and 14.1 points year-on-year.

53% of the 384 respondents were of the view that economic conditions have worsened in recent times, the highest proportion tabulated since 2Q2009. 9%, however, thought otherwise, up from 7% in 4Q2013. Economic anticipations are equally cool. While 11% are forward looking in their outlook, a majority (52%) of the respondents are bracing for an economic downtrend in the coming months, the largest polled since 1Q2009. The latest expected profitability component index (124 points) also scored lower than 4Q2013, with 45% of the CEOs hoping to see an improvement in their firms' profitability soon, although 61% are expecting their sales revenue to beef up in the near term.

Other component indexes comprising this Index that performed better this time are planned fixed investment and the employment outlook with scores of 127 and 130 points, up from 121 and 127 a quarter ago, respectively. 43% of the CEOs are contemplating injecting additional capital investment, while 42% are planning to expand their employee headcount within a year.

IMPORT AND EXPORT TO MAJOR ECONOMIES

Given the current development in the major economies of Japan, China, the EU and the US, a total of 23, 35, 42 and 29 of the respondents indicated that their imports from Japan, China, the EU and the US, respectively, constitute less than 10% of their total revenue. Not only are 34 of the respondents importing more than 50% of their total revenue from China, most of those whose imports are 20-30%, 30-40% and 40-50% of their total revenue have such imports also sourced from China.

Respondents whose exports to Japan, China, the EU and the US that are less than 10% of their total revenue numbered 24, 23, 23 and 21, respectively. Those who engage in exports comprising 10-20% of their total revenue are mainly to the EU (11), followed by China (8), Japan (6) and the US (6). Firms with exports more than 50% of their total revenue are primarily to the US, with 8 of the respondents affirming this.

IMPACT OF RISING COSTS

Given the current rising cost trend, 95% of the CEOs surveyed foresee a parallel increase in their costs, while 71% expect their sales to pick up in the first half of 2014. Against this backdrop, respondents were asked of their plans to mitigate the adverse effects, if any.

The most prominent of the many plans put forth are the following: increase sales to raise revenue and trim operating costs, raise consumer prices and increase productivity and efficiency of existing manpower. Other plans such as automation, increasing expenditure on promotional activities and advertising, expanding markets and products range, sizing down inventory, venturing in high-margin niche market and high-technological products, expanding/relocating overseas, outsourcing and sourcing for alternative and additional suppliers were the more popular plans listed.

	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
VISTAGE-MIER CEO CONFIDENCE INDEX	91.7	99.7	104.4	100.9	87.3	85.6
COMPONENTS						
Current Economic Conditions	71	91	94	90	63	56
Expected Economic Conditions	83	102	119	101	79	59
Expected Change in Employment	134	136	143	144	127	130
Planned Fixed Investment	126	133	138	134	121	127
Expected Revenue Growth	149	155	158	153	144	151
Expected Profit Growth	130	137	137	141	126	124

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.

IMPACT OF CHINA'S REFORMS

Although China recently embarked on some market-friendly reforms (more transparency, less red tape), majority (61%) of the respondents did not think it has any impact on their businesses, while 36% replied favourably and only 3% negatively.

TO REMAIN COMPETITIVE

Amidst the external developments in major economies such as the US which recently reduced its purchase of financial assets, Japan's economy given a boost by policies of Prime Minister Shinzo Abe, and China's economic slowdown, Malaysian businesses can expect a weakening of the Ringgit and rising costs. Going forward, 69% of the respondents plan on cutting down costs to remain competitive, while 48% will be exploring alternate sourcing and 21% will likely undertake forward forex contracts through banks.

STATE OF PREPAREDNESS FOR GST IMPLEMENTATION

Given that the Goods and Services Tax (GST) will be effective 1 April 2015, 51% of the CEOs stated that they are in the process of getting ready for its implementation, while 36% have not even started getting prepared yet. Only 8% are ready and 4% said that the GST is not applicable to their companies.

IMPACT OF MEASURES ON LOCAL PROPERTY MARKET

Recently the government implemented several cooling-off measures to curb speculative activities in the local real property market. While the real property gains tax (RPGT) was increased, a ban was imposed on the developers' interest bearing scheme (DIBS) and all mortgage financing are now based on the net selling price instead of gross. These measures, however, have no impact on 49% of the CEOs surveyed as they are not applicable to them. 27% considered the impact of these measures on them as "moderate", while 18% and 7% rated it as "low" and "high", respectively.

THE HIES SURVEY

The Household Income, Expenditure and Basic Amenities (HIES) Survey will be carried out in 2014. 91% of the respondents revealed that they have never participated in the survey before. To increase the survey participation rate so that the results would be more representative of the country's population, 46% opined that the current practice of face-to-face survey should be maintained, while 66% are in favour of a face-to-face interview, including allowing voluntary online surveys.



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To improve the participation rate, 7% suggested, among others, that face-to-face interviews be carried out by professionals; the basket of basic amenities be broadened; sample size be increased with an equitable representation of all ethnic groups; and tax rebates be provided as incentives for participation.

PERSONAL HAPPINESS

The IPSOS Happiness Index-APAC 2013 polled Hong Kong, Singapore, China, Malaysia and South Korea on their personal happiness. The results showed personal happiness of Malaysia at 90%, China at 87%, Singapore at 81% and both Hong Kong and South Korea at 79%. When asked the same of respondents in this survey, only 24% claimed to be "very happy", while 68% said they are "rather happy" and 8% are "not very happy". No one is "not happy at all".

ADDRESSING THE PROBLEM OF ENGLISH PROFICIENCY

From the 4Q2013 survey, 62% of the CEOs indicated that the English language proficiency is a major problem in their hiring of new graduates. To address this issue, most of the respondents suggested that training and retraining (including talent management programmes) be provided to new and existing employees, the right people with the right skills be hired, and the usage of English (spoken and written) be increased, or even be made compulsory, at the workplace. Recruiting from abroad (expatriates and graduates from foreign universities), offering higher salaries and improving the education system were also suggested.

SALARY INCREMENTS AND BONUS PAYOUTS

According to a recent report by the Malaysian Employers Federation (MEF), private sector employees will see a lower salary increment in 2014 due to the minimum wage policy and private retirement age limit. This is consistent with the results of this survey where a majority (40%) of the respondents plan on giving their non-executives and executives increments of less than 5%, while 42% and 39% are looking into 5-10% for their non-executives and executives, respectively.

41% of the CEOs will be giving their non-executives a bonus of 1-2 months, while 35% will be doing the same for their executives. Those contemplating a one-month bonus totaled 24% (for non-executives) and 18% (executives), while a 2-3 month bonus is on the cards for executives and non-executives by 20% and 14% of the respondents, respectively.

INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, most of the respondents are planning to invest in local real estate (41%), fixed deposits/cash (38%), equities (31%) and unit trusts/mutual funds (25%). 14% of the CEOs are setting their sights on gold and gold futures, 10% on foreign real estate and 8% on bonds.

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 430 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).

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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



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