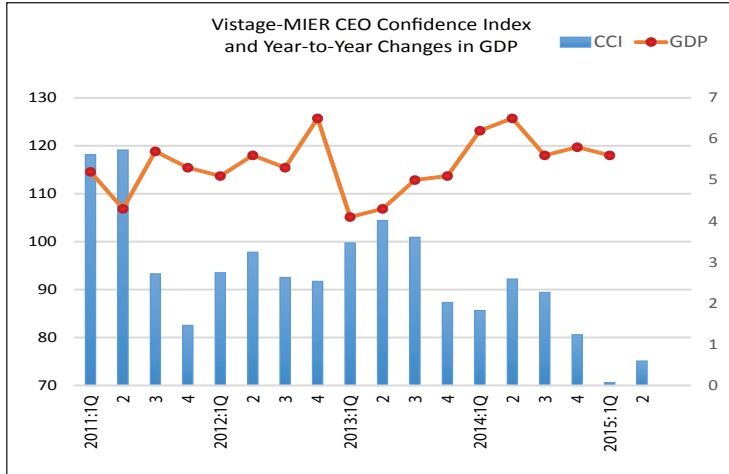


VISTAGE-MIER CEO Confidence Index

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

CONFIDENCE REMAINS ON LOW GEAR

Economic uncertainties continued to weigh on sentiment and confidence, negatively affecting CEOs' outlook for the economy and their businesses in the second half of 2015.



Reflecting this is the Vistage-MIER CEO Confidence Index which remained below the 100-point benchmark of confidence in 2Q2015. At 75.1, it picked up 4.5 points quarter-on-quarter but paled in comparison to its last year's level of 92.2, indicating that CEOs are more apprehensive this quarter than 2Q2014, but slightly less so than 1Q2015.

CEOs were particularly concerned about the country's economy, with 69% saying that economic conditions have worsened lately, up from 68% a quarter ago and 37% in 2Q2014. A majority of 59% foresee an economic downtrend in the coming months as well, compared to 75% and 34% in 1Q2015 and 2Q2014, respectively. 6% were, however, optimistic of a positive economic change soon, compared to 3% in 1Q2015 and 12% in 2Q2014.

The near-term business outlook is expected to remain cautious and moderate. Profitability is likely to sag further, as only 36% of the respondents are in anticipation of improved profits in the coming months, down from 46% in 2Q2014 and 38% in 1Q2015. The expected revenue index gained six points from 1Q2015 to 131 in 2Q2015, with 49% of the respondents reckoning on higher sales revenue soon, compared to 44% in 1Q2015 and 58% in 2Q2014.

Expenditure on fixed investment will likely remain moderate, with most respondents saying they will maintain their status quo for now, while 35% are contemplating on increasing their budgets for such investment over the year. The employment index also improved from 1Q2015, gaining six points to 131 in 2Q2015. Although half of the CEOs surveyed have no plans to adjust their manpower in the short term, 4-in-10 are likely to hire more employees soon.

THE GOODS AND SERVICES TAX (GST) ON BUSINESSES

Since the implementation of the GST on 1 April 2015, CEOs seemed to have the situation under control thus far. A majority of 69% ran into some difficulty implementing it but said it was manageable. Some 13% encountered confusion, while another 13% described their implementation as smooth and only 4% were not affected at all.

PROFITEERING BY SUPPLIERS/RETAILERS vis-à-vis GST

As per the GST, most CEOs' perception of instances of profiteering by suppliers/retailers was limited, as 55% noted having only "some" view of such instances. 2-in-10 have extensive knowledge, while 25% described theirs as "minimal".

VISTAGE-MIER CEO Confidence Index Highlights

36% of CEOs expected profits to improve, down from 38% in 1Q2015 and 46% in 2Q2014.

49% of CEOs projected higher revenues, up from 44% in 1Q2015, down from 58% in 2Q2014.

69% of CEOs faced some difficulty implementing the GST but said it was manageable.

51% of CEOs are aware of the Price Control and Anti-Profiteering Act 2011 but 46% have minimal awareness of the terms of the Act.

45% of CEOs expected their firms to be negatively affected by the fuel subsidy removal.

82% of CEOs found the recent increase in fares by SPAD to be unreasonable.

85% of CEOs opined that Malaysia should join the TPPA.

40% of CEOs preferred Malaysia as an investment destination.

82% of CEOs believed that entrepreneurship can be taught.

44% and **48%** of CEOs hiked salaries of managerial and non-managerial staff by >5%-10%, respectively.

39% of CEOs planned to invest in local real estate in the next 6 months.

	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
VISTAGE-MIER CEO CONFIDENCE INDEX COMPONENTS						
Current Economic Conditions	56	73	71	60	34	34
Expected Economic Conditions	59	78	75	57	28	47
Expected Change in Employment	130	137	135	123	125	131
Planned Fixed Investment	127	132	128	123	114	116
Expected Revenue Growth	151	148	143	135	123	131
Expected Profit Growth	124	129	124	111	110	109

Note: All component questions are scored as the percent giving favourable replies minus the percent for unfavourable 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.

THE PRICE CONTROL AND ANTI-PROFITEERING ACT 2011

A majority of the respondents (51%) are aware of the existence of the Price Control and Anti-Profiteering Act 2011, slightly surpassing those 49% who were not. The Act was amended in 2014 with new provisions to be used when the GST is implemented whereby retailers or traders are not allowed to increase their net profit margin for any goods or services for 18 months from January 2015 to June 2016.

Despite being aware that the Act exists, most of them (46%), however, know little of the terms of the Act, while 34% are moderately aware and 18% are not aware at all. Only 2% claimed to have extensive awareness of the terms of the Act.

On the efficacy of the Anti-Profiteering Act 2011, almost 3-in-4 of the CEOs doubt if it will be an effective deterrent in preventing profiteering, while the remainder 26% opined otherwise.

RM DEPRECIATION VIS-À-VIS USD

If the Ringgit were to persist at an average of RM3.80 vis-à-vis the USD over the course of 2015, most respondents are either relatively neutral on how this would affect their businesses or of the view that they would be net losers as both polled 41% of responses each.

IMPACT OF GOVERNMENT REFORMS ON BUSINESSES

CEOs generally believe that the impact of the various reforms implemented by the government recently on their businesses would either be neutral or negative. Half of them do not think the revision of the Malaysian Budget would have much of an impact on their businesses, while 41% and 38% are also neutral on the GST implementation and fuel subsidy, respectively.

Majority (45%) of the CEOs, however, expect their businesses to be negatively affected by the removal of the fuel subsidy, while the GST implementation and revision of the Malaysian Budget received 40% and 32% negative responses, respectively. Of the CEOs who responded favourably, most (19%) think that the GST implementation will have a positive impact on their businesses in the next three years.

RECENT INCREASE IN FARES BY SPAD

Parallel to the GST implementation, SPAD announced a simultaneous hike in fares of 43% for taxis and 23% for express buses which represents an economic burden to the low-income consumers. This, according to 82% of the CEOs, is not reasonable, while 63% felt that a gradual increase would have been a better move. 21% said there should not be any increase at all, and 17% called for a deferment instead.

SHOULD MALAYSIA JOIN THE TPPA?

Malaysia will have to decide by July 2015 if it wants to join the Trans-Pacific Partnership Agreement (TPPA) which is targeted to be implemented by 3Q2015. 85% unanimously think Malaysia should, as doing so will enable it to have full access to the new free trade area of about 800 million people (excluding China for now), with a GDP of over US\$27 trillion (RM101 trillion).

PREFERRED CHOICE OF INVESTMENT DESTINATION

If CEOs were to plan on increasing their investment, Malaysia, China and Thailand emerged the top three preferred choices of destination, with 40%, 26% and 20% votes, respectively. Of the other countries included in the survey, the least preferred investment destinations were Indonesia, India and Cambodia. Other destinations preferred by 5% of the CEOs are Australia, the UK, South Africa, the US, Papua New Guinea, Singapore, Taiwan, Eastern Europe, Europe, Middle East and Russia.

CAN ENTREPRENEURSHIP BE TAUGHT?

Entrepreneurship, which is the process of starting a business or other organization, has been growing in importance in Malaysia. When asked if entrepreneurship can be taught, 82% of the CEOs believed that it can.

ACTUAL RATE OF SALARY INCREMENT AND BONUS PAYOUT 2014

The rate of salary increment for financial year ended 31 December 2014 was generally uniform across the board. Most of the CEOs adjusted the paychecks of their managerial and non-managerial staff higher by >5%-10%, while 11% and 2% increased salaries for both categories of their personnel by >10-15% and more than 15%, respectively.

Bonus payouts for financial year ended 31 December 2014 were comparable to salary increments. Majority of the CEOs rewarded both their managerial and non-managerial staff with bonuses of >1-2 months. 2%, however, accorded their managers with bonuses of more than six months, while 1% settled on the same rate for their non-managerial staff.

INVESTMENT IN THE NEXT SIX MONTHS

In the second half of 2015, most CEOs are planning to invest in local real estate (39%), fixed deposits/cash (38%) and equities (37%). 26% will be setting their sights on unit trusts/mutual funds, 11% on foreign real estate, 9% in gold/gold futures and 7% in bonds. 3% of the CEOs will also be looking into the following possible ventures: foreign currency as fixed deposits, oil, gemstones, forex, offshore, existing and other businesses.

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 19,000 members worldwide.

Vistage Malaysia has more than 470 members with combined annual revenue of RM45 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 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.