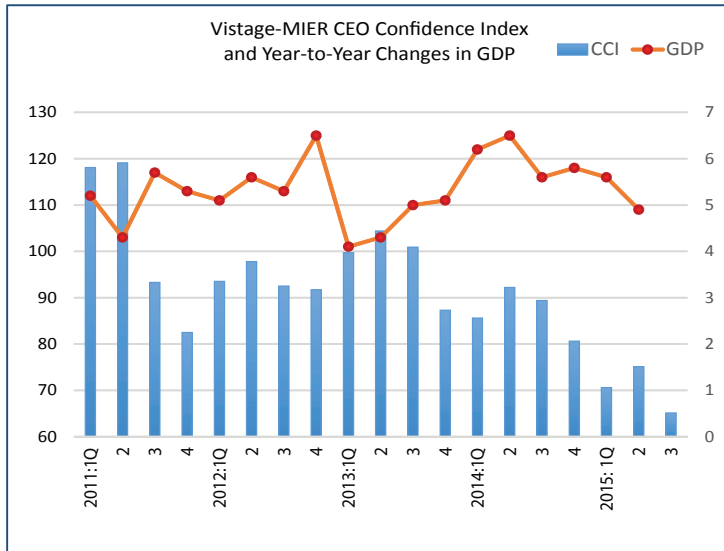


## VISTAGE-MIER CEO Confidence Index

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

### CONFIDENCE SINKS LOWER

Softening Malaysian economic conditions due to the weakening of the Ringgit and global economic uncertainties continued to shake CEOs' confidence lately. The Vistage-MIER CEO Confidence Index sank to its lowest since 1Q2009 to 65.1 points, indicating CEOs' growing pessimism about the economy and the prospects of their businesses in the coming months.



The latest current economic conditions index was at its worst since 1Q2009, falling to a reading of only 16. Quarter-on-quarter, the index has worsened by almost 53%. 84% of the respondents believed that the overall economic conditions in the country had worsened in recent months, the largest polled since 1Q2009. Their economic prognosis for the rest of the year is equally lacklustre. At 36, the expected economic conditions index lost 13 and 39 points from 2Q2015 and 3Q2014, respectively, suggesting that CEOs continue to be apprehensive about the country's near-term economic health. Almost 7-in-10 of the respondents are bracing for hard economic times ahead, while only 5% hope to see an improvement soon.

The forward-looking indexes fell across-the-board in the latest survey, with the lowest readings on record in more than six years, portending a cool business climate in the offing. With revenues, profitability and fixed investment expenditure expected to take a breather, CEOs will likely lie low on recruitment as well. Although the employment index stood above the rest of the indexes with 121 points this time, it is the lowest polled since 2Q2009. 55% are planning to maintain their current manpower by year-end, while 33% will increase their headcount instead, down from 40% in 2Q2015.

Both the expected revenue and profitability indexes also dipped to their lowest since 2Q2009, at 114 and 96, respectively. While fewer CEOs this quarter than last quarter are anticipating higher profits and revenue in the months ahead, those whose forecasts are lower are also higher this time around than 2Q2015. The index for expected fixed investment expenditure, however, fell seven points from 2Q2015 to 109 in 3Q2015, its lowest since 1Q2009, indicating that capital expenditure will be less ambitious going forward.

### THE GOODS AND SERVICES TAX (GST)

Results of the previous survey showed that 82% of the CEOs encountered some confusion and some difficulty, but manageable, in their implementation of the new Goods and Services Tax (GST).

## VISTAGE-MIER CEO Confidence Index Highlights

**31%** of CEOs projected profits to improve, down from 36% in 2Q2015 and 44% in 3Q2014.

**39%** of CEOs expected higher revenues, down from 49% in 2Q2015 and 54% in 3Q2014.

**74%** of CEOs faced some, but manageable, difficulty implementing the GST, down from 82% in 2Q2015.

**71%** of CEOs forecasted >RM3.90:US\$1 by end 2015.

**83%** of CEOs preferred local private institutions for their children's tertiary education.

**67%** of CEOs called for a review of Malaysia-Taiwan investment protection pact 1993 and double taxation agreement 1996.

**100%** of CEOs hoped for further liberalization of the services sector.

**79%** of CEOs had minimal trade volume with Eurozone; neutral impact of weakening Euro on their businesses.

**42%** of CEOs reported better revenues and **38%** reported lower profits in 1H2015 vs 1H2014.

**62%** of CEOs faced brain drain problem.

**40%** of CEOs preferred paying service charge; **36%** preferred tipping.

**40%** of CEOs planned to invest in fixed deposits/cash in the next six months.

	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
VISTAGE-MIER CEO CONFIDENCE INDEX	92.2	89.4	80.6	70.6	75.1	65.1
<b>COMPONENTS</b>						
Current Economic Conditions	73	71	60	34	34	16
Expected Economic Conditions	78	75	57	28	47	36
Expected Change in Employment	137	135	123	125	131	121
Planned Fixed Investment	132	128	123	114	116	109
Expected Revenue Growth	148	143	135	123	131	114
Expected Profit Growth	129	124	111	110	109	96

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.

Four months on post-GST, this proportion has declined to 74%, while the 13% who did not have any problems implementing it a quarter ago has now increased to 20%, indicating that CEOs are generally getting better and more familiar at implementing the GST. Only 6% were still in a state of confusion and 2% were audited/queried/fined by the Royal Malaysian Customs so far.

### PROJECTED US\$ TO RM AND ITS IMPACT ON BUSINESSES

Most CEOs opined that the Ringgit would perform poorly against the US Dollar by end 2015 and they are likely to feel the brunt of the rate on their businesses should it hover around the region of more than RM3.70 to US\$1. 71% projected the Ringgit to be above 3.90 to US\$1 at year-end which would then impact their businesses negatively. A forecast of >RM3.80-RM3.90 to US\$1 is given by 70% of the CEOs who foresee the impact on them to be unfavourable as well. 61%, however, estimated it to be >RM3.70-RM3.80, negatively affecting their businesses.

Almost 8-in-10 of the CEOs are predicting the RM/US\$ rate to settle at RM3.40-RM3.50 to US\$1, adding that, at this rate, the impact on their businesses would be favourable, but 21% thought otherwise.

### TERTIARY EDUCATION – LOCAL OR ABROAD?

CEOs are generally quite impartial on whether to have their children study locally or abroad for their tertiary education. Of the 331 who opted for local institutions, 83% prefer private ones. Those who intend to send or have already sent their children to study at foreign institutions of higher learning totaled 325, with Australia being the most popular choice (39% responses), followed by the UK (21%), US (15%), Singapore (7%) and Taiwan/China (5%). Among the other countries revealed by 12% of the CEOs include New Zealand, Germany, Japan, Canada, Switzerland and Hong Kong.

### MALAYSIA-TAIWAN TRADE TIES

Historically, Malaysia has had trade ties with Taiwan in sectors such as electrical machinery and equipment. For the first five months of 2015, total trade between the two countries amounted to almost US\$6.3 billion. Both countries signed an investment protection pact in 1993 and a double taxation agreement in 1996. But 67% of the CEOs called for a review of these agreements, although 21% felt that they are sufficient for now.

### SHANGHAI COMPOSITE INDEX

The Shanghai Composite Index has fallen 30% since mid-June 2015, nullifying most of this year's gains which have repercussions on the wider Chinese economy. This, according to 9-in-10 of the respondents, has not affected them at all. Of those who were affected, most revealed a decline in revenue, orders received, exports, tourist arrivals and investment.

### LIBERALISATION OF THE SERVICES SECTOR

The Government, in line with its commitment to ASEAN and WTO, is liberalising the services sector in stages. Most CEOs are involved in the following sectors which, they believe, should be further liberalised: business and professional services, distribution, communication, environment, transportation, financial services, health and social services.

### TRADE WITH EUROZONE AND POTENTIAL IMPACT OF EURO

Majority of the CEOs do not trade much with the Eurozone which is why they are generally indifferent to the weakening of the Euro on their businesses. But most of those who have moderate or significant trade with the Eurozone are quite unperturbed as well, describing the impact of the Euro on their businesses as neutral.

### REVENUE AND PROFIT: 1H2014 vs 1H2015

Revenues of most CEOs in 1H2015 were generally better than 1H2014, but their profits fared relatively worse. A majority of 42% reported better revenues, while 38% bemoaned lower profits in 1H2015 compared to a year ago.

### BRAIN DRAIN

There has been an exodus of brains from Malaysia over the last two decades. Calling it an "intense brain drain problem", the World Bank warned that this could jeopardise Malaysia's aspiration of becoming a high-income economy by 2020. This phenomenon, according to 62% of the CEOs, is affecting them as well with regards to their human resource requirements.

### SERVICE CHARGE OR TIP?

According to The Star of 16 April 2015, many Malaysians, including parliamentarians, prefer paying the service charge rather than tipping wait staff at restaurants, saying it is more practical. Between the two, 40% of the CEOs voted for the service charge, while 36% prefer tipping and 24% think they should pay neither.

### INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, 4-in-10 of the CEOs expressed interest in fixed deposits/cash as a form of investment, while 32% are planning to invest in equities and another 32% in local real estate. Unit trusts/mutual funds and foreign real estate are on the minds of 22% and 16% of the CEOs, respectively, while 9% are likely to invest in gold and gold futures. Other possible ventures divulged by 19% of the CEOs include: own/new business, local investments and startups, foreign currency and index future.

### 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 500 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.