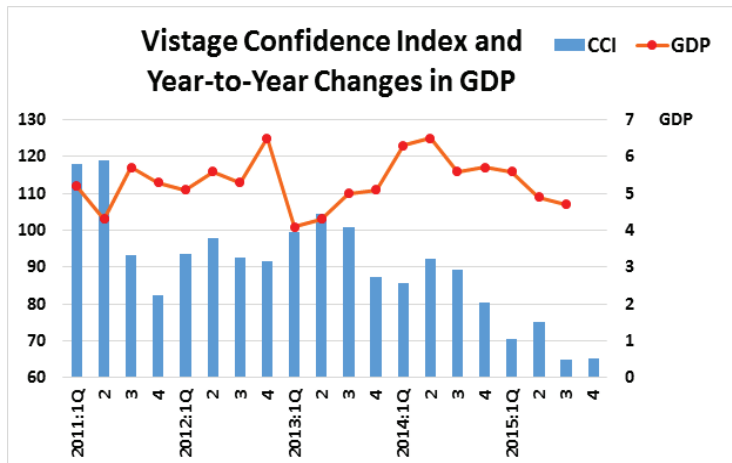


VISTAGE-MIER CEO Confidence Index

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

CONFIDENCE REMAIN TENUOUS

Confidence among CEOs continued to be muted as fragility in the domestic and global economies remained unabated, clouding their business prospects going forward. Reflecting this is the Vistage-MIER CEO Confidence Index which stood at 65.3 points in 4Q2015, almost on par with the prior quarter's 65.1 which was the lowest since 1Q2009.



The current economic conditions index remained unfavourable which, at 17, is only second to its worst reading of 16 a quarter ago. 84% of the 444 respondents remained adamant that overall economic conditions in Malaysia have worsened in recent months. This was the same proportion polled last quarter which was the largest tabulated since 1Q2009. CEOs' assessment of the economy in the short term, however, drifted higher, this quarter with the expected economic conditions index rising to 40 from 36 in 3Q2015. But compared to 4Q2014's index reading of 57, CEOs are generally more worried this time around. While 65% of the respondents are girding for leaner times ahead, only a handful 5% are more positive and 3-in-10 do not think there will be any economic change anytime soon.

With most forward-looking indexes shifting lower this quarter, a tame business outlook is likely at the onset of 2016. Revenues are expected to perform better, albeit slowly, than fixed investment, profitability and employment in the coming months. The expected revenue index gained three points on the quarter to reach 117 in 4Q2015, with 39% of the respondents projecting higher revenues soon, and another 39% opting to remain neutral instead.

Profitability is likely to remain under pressure, although revenues may have sped up a touch in quarter-on-quarter terms, due to the weak ringgit, subsidy rationalization and higher cost of doing business. The latest expected profitability index, at 95, is the lowest polled since 2Q2009. 34% of the CEOs are revising down their firms' profitability in the months ahead, while 29% are more optimistic on the other hand. Another low since 2Q2009 is the index for planned fixed investment expenditure which stands at 108 currently. 46% will maintain their status quo, while 31% plan on injecting additional capital expenditure soon.

The expected employment index slipped four points from 3Q2015 to 117 in 4Q2015, as fewer CEOs planned on headcount reduction early next year. With 33% of the CEOs more likely to hire than before and 52% freezing their recruitment for now, it suggests that the momentum of job flows will likely be sustained in the coming months.

FURTHER ASSISTANCE FROM GOVERNMENT POST-GST

Seven months into the GST era, respondents were asked of the kind of post-GST assistance from the government that they would like for their businesses, to which 72% suggested a reduction of the GST rate. Among them, 78% preferred a rate of 3%, while 16% and 6% of the CEOs cited a rate of 4% and 5%, respectively. 43%, on the other hand, felt that the government could raise the threshold limit for GST to be applicable from RM0.5 million to RM1 million.

VISTAGE-MIER CEO Confidence Index Highlights

29% of CEOs forecasted higher profits, down from 31% in 3Q2015 and 39% in 4Q2014.

39% of CEOs projected higher revenues, compared to 39% in 3Q2015 and 49% in 4Q2014.

72% of CEOs suggested a reduction of the current GST rate.

64% of CEOs do not think the Ringgit would dip to RM5:USD1 by end-2015;

66% believed their businesses would be adversely affected if RM5:USD1.

58% of CEOs voted against a re-introduction of capital controls.

64% of CEOs faced working capital inadequacy due to economic slowdown.

79% of CEOs hoped for a corporate tax reduction to assist their businesses.

60% of CEOs reported lower productivity due to the haze;

77% affected by haze health-wise.

69% of CEOs do not utilize any business intelligence/analytics tools.

41% of CEOs suffer from hypertension due to VUCA world.

95% of CEOs improved their strategic thinking skills as per Vistage's mission.

40% of CEOs planned to invest in fixed deposits/cash in first half of 2016.

	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015	4Q 2015
VISTAGE-MIER CEO CONFIDENCE INDEX	89.4	80.6	70.6	75.1	65.1	65.3
COMPONENTS						
Current Economic Conditions	71	60	34	34	16	17
Expected Economic Conditions	75	57	28	47	36	40
Expected Change in Employment	135	123	125	131	121	117
Planned Fixed Investment	128	123	114	116	109	108
Expected Revenue Growth	143	135	123	131	114	117
Expected Profit Growth	124	111	110	109	96	95

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.

RINGGIT DEPRECIATION ON BUSINESSES

The Ringgit is the worst performing currency in East Asia, falling to a 17-year low of RM4.48 to USD1.00 in early September 2015. Notwithstanding this, most (64%) of the CEOs do not believe that the Ringgit would slide further to RM5.00 to USD1.00 and beyond by year-end 2015. Should such a scenario arise, however, 66% believed that their businesses would then be impacted negatively.

SHOULD CAPITAL CONTROLS BE RE-INTRODUCED?

In 1998, Malaysia imposed capital controls and pegged the plunging Ringgit at RM3.80 to USD1.00 in a move to curb speculation on the Ringgit. Despite the weak performance of the Ringgit in recent times, majority (58%) of the CEOs voted against a re-introduction of the same measures now, while 42% opined otherwise.

CAPACITY UTILISATION

Most of the CEOs involved in manufacturing (28%) or trading/services (32%) currently operate within the >70-80% capacity range, indicating their cautiousness in maintaining just-in-time inventory during times of economic uncertainties. Only 12% in both sectors are currently operating at almost full or full capacities, while 8% are operating at capacities of 50% and below.

EFFECTS OF CURRENT ECONOMIC SLOWDOWN

Given the current economic slowdown, 64% of the respondents are experiencing an inadequacy of working capital, while 36%, 17% and 5% encountered difficulty in obtaining bank loans from local domestic banks, locally-incorporated foreign banks and offshore banks, respectively. Lack of interest from domestic and foreign equity investors were also cited by 16% and 12% of the CEOs, respectively. Among some of the other experiences faced by 10% of the respondents include: business slowdown, exchange rate volatility, lower sales and margins, delay in project implementation, increased competition, cash flow management and higher input costs.

GOVERNMENT ASSISTANCE DURING ECONOMIC SLOWDOWN

On the kind of assistance/support from the government for their businesses, almost 8-in-10 of the CEOs hoped to see a reduction in corporate tax, while 6-in-10 listed an increase in personal tax relief to help them ride out the current economic slowdown. 45% suggested that the personal taxable income threshold be increased, while 41% felt that there should be incentives to encourage automation and 38% said that the provision of soft loans would help as well. Other suggestions include reducing red tape and increasing governmental accountability and transparency.

IMPACT OF THE HAZE

The haze generally has had a major impact on businesses as 60% of the CEOs claimed that it lowers their productivity, while 57% bemoaned higher medical expenses and 44% noted an increase in absenteeism of their staff. On the personal front, 77% of the CEOs lamented that the haze has adversely affected their personal and family members' health, while 59% had to cut down/postpone their recreational activities and 33% said that their spouse and/or children logistics and care were also affected.

BUSINESS TOOLS

CEOs were asked if they utilize any Business Intelligence or Business Analytics and/or Big Data mining tools to assist them in making faster and more informed business decisions. Only 31% apply such tools, while 69% responded negatively. Of those who do, some of those solutions adopted include the IMS pharmaceutical audit, Tableau software, Epicor Enterprise Performance Management (ERP), Business Intelligent Analytics, Empower Performance Management (EPM), Microsoft Dynamics AX, Google Analytics and Business Warehouse SAP ECC6.

PERSONAL AND FAMILY WEALTH MANAGEMENT

For their personal and family wealth management, most (57%) CEOs have prepared their will, while 34% have set up their own trust fund and only 16% have put in place their own family foundation.

VUCA WORLD

The current volatile, uncertain, complex and ambiguous (VUCA) world is taking a toll on some of the CEOs' health. Of those who are affected, most (41%) are suffering from hypertension, while 36% and 33% have insomnia and depression, respectively. Other health problems cited by 19% of the CEOs include confusion, stress, anxiety, headache, anger, gastro intestinal problem, cholesterol and lethargy.

DEVELOPMENT AS PER VISTAGE'S MISSION

Reflecting on Vistage's mission of increasing the effectiveness and enhancing the lives of CEOs and their key executives, more than 80% of the CEOs believed that they have further developed their skills in many areas over the year, especially strategic thinking (95%), leadership (92%), willingness to empower their staff (89%), listening (86%) and health awareness (80%). Some also noted being better able to hold their people accountable (79%), having better work life balance (73%) and time management (69%).

INVESTMENT IN THE NEXT SIX MONTHS

4-in-10 of the CEOs are planning to invest in fixed deposits/hold cash in the next six months, while 34% are contemplating on equities and another 34% in local real estate. Unit trusts/mutual funds, foreign real estate, gold/gold futures and bonds are, however, on the minds of 25%, 14%, 8% and 7% of the CEOs, respectively. Some are also likely to invest in foreign exchange, antique, private equity or purchase additional shares from existing shareholders of their own company.

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 20,000 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.