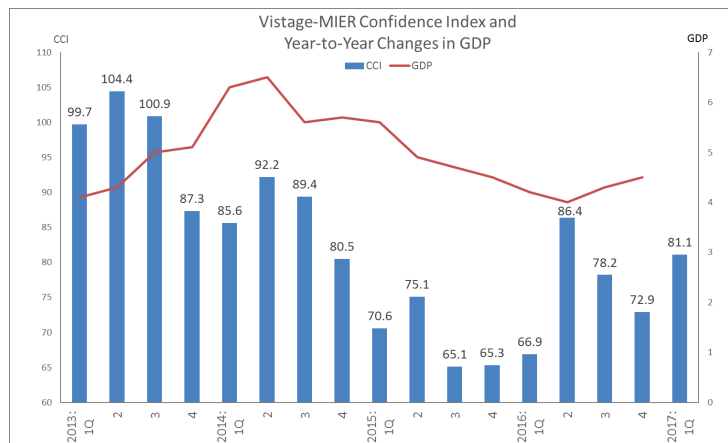


SENTIMENTS IMPROVE CAUTIOUSLY

CEOs headed into 2017 with caution as domestic and external headwinds continue to pose challenges for the economy and their businesses. This is shown in the Vistage-MIER CEO Confidence Index for 1Q2017 which continued to be in the red, indicating lack of confidence. At 81.1, the Index remained below the 100-point threshold level of confidence, although it gained 8.2 points on the quarter and 14.2 points year-on-year. This suggests that although CEOs felt better in recent months than they did last quarter and a year ago, they remain cautious as they are not yet confident that the economy is out of the woods.



More CEOs rated the economy more favourably in 1Q2017 than 4Q2016, although a smaller majority felt otherwise. This is reflected in the current economic index which rose to 43 in 1Q2017, up nine and 23 points from 4Q2016 and 1Q2016, respectively. 5% of the respondents believed that current economic conditions have improved lately, up from 3% in 4Q2016 and 1% in 1Q2016. 62% saw a worsening of the economy in 1Q2017, down from 69% and 81% in 4Q2016 and 1Q2016, respectively. Similar sentiments are expected in the coming months as well. The index for expected economic conditions increased to 67 in 1Q2017 from 4Q2016 and 1Q2016. Its continued stay below the 100-point confidence threshold shows that sentiments, albeit improving, remain negative. 12% are giving the short-term economic outlook the thumbs up, compared to 9% a quarter ago and 4% last year. 45% foresee a deterioration soon, down from 56% and 69% in 4Q2016 and 1Q2016, respectively.

CEOs' prognosis of the short-term prospects of their firms is also looking up. All indexes for expected employment, revenue, profit and fixed investment recorded higher readings in 1Q2017 than both 4Q2016 and 1Q2016. Not only are proportions of positive responses in all these four components higher in 1Q2017 than 4Q2016 and 1Q2016, negative responses are simultaneously lower as well, except employment which remains flat. The expected profitability index rose 13 points from 4Q2016 to 120 in 1Q2017, with 4-in-10 of the CEOs forecasting higher profits soon, compared to 2-in-10 in 4Q2016. 21% are bracing for lower profits in the months ahead, down from 29% in 4Q2016 and 27% in 1Q2016. The index for expected revenue jumped 16 points quarter-on-quarter to 139 currently. 53% are hopeful of higher revenue in the coming months, up from 43% in both 4Q2016 and 1Q2016. Those anticipating lower revenues totaled 14%, down from 20% and 21% in 4Q2016 and 1Q2016, respectively. The index for planned fixed investment also improved this time around, with a score of 120. 37% are planning to expand their capital expenditure soon, up from 32% in 4Q2016. The expected employment index, at 124, is little changed from 4Q2016's 123, with 38% of the CEOs likely to increase their headcount soon, while 14% are looking into downsizing theirs.

INDUSTRY 1.0, 2.0, 3.0 AND 4.0

The Industry 1.0 was triggered in the 1700s by the commercial steam engine and the mechanical loom. The harnessing of electricity and mass production sparked industry 2.0 around the start of the 20th century. The advent of computer set industry 3.0 in motion after World War II. The term Industry 4.0 refers to the combination of several major innovations in digital technology which is now coming on mainstream.

VISTAGE-MIER CEO Confidence Index Highlights

41% of CEOs expected an increase in profits, up from 36% in 4Q2016 and 31% in 1Q2016.

53% of CEOs forecasted improved revenues, up from 43% in 4Q2016.

68% of CEOs believed that lack of people with analytical expertise a major difficulty in adopting Industry 4.0.

69% of CEOs agreed that cyber security is one of the more imperative areas that should be put in place urgently.

49% of CEOs rated their familiarity with Bitcoin as "low".

66% of CEOs hired baby boomers who comprised 1-10% of their manpower.

56% of CEOs employed 1-10% of their employees from Gen Z.

69% of CEOs opined that tourism could contribute to Malaysia's growth.

41% of CEOs are involved in the Malaysia-China cooperation/initiative.

53% of CEOs will be affected by the Employer Mandatory Commitment (EMC) should it come into force.

47% of CEOs planned to invest in fixed deposits/cash in the next six months.

	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017
VISTAGE-MIER CEO CONFIDENCE INDEX	65.3	66.9	86.4	78.2	72.9	81.1
COMPONENTS						
Current Economic Conditions	17	20	51	47	34	43
Expected Economic Conditions	40	35	89	72	53	67
Expected Change in Employment	117	120	132	123	123	124
Planned Fixed Investment	108	105	121	112	111	120
Expected Revenue Growth	117	122	138	126	123	139
Expected Profit Growth	95	104	122	111	107	120

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.

The survey findings show that CEOs are generally technologically savvy in their current business model and operations. A majority of about 46% of them said that their businesses are in Industry 3.0 where computer and automation used are in the advanced/mature stage of their operations, including the introduction of some digital applications. 28% opined that they are in Industry 2.0 which involves assembly line and/or mass production with some initial level of automation and computerization. Industry 4.0 (already using digital technologies as described above in most operations) is where 15% of the CEOs believed that they are in, while 11% indicated that they are in Industry 1.0 (still involved mainly in manual operation with some mechanization).

SUCCESS WITH INDUSTRY 4.0

Success with Industry 4.0 depends on CEOs' urgency and leadership in unlocking data possibilities, and using analytics to help them reshape their operational designs and capability. Of the difficulties cited by the PwC study of Industry 4.0 in building an analytical capability, most (68%) CEOs agreed that the lack of people with the expertise to conduct the analysis is the main problem. Poor data quality of their operations was cited by 41% of the CEOs, while lack of access to the right data, and lack of top level support and finance were pointed out by 37% and 30% of the respondents, respectively. Other difficulties noted by some of the CEOs include, among others, the lack of funding, lack of understanding on the application of Industry 4.0 in their business, pricing, lack of supply vendors of such service, low awareness of Industry 4.0, and impediment of new technological adoption by old and familial methods.

CYBER SECURITY

More Malaysian companies have increasingly fallen prey to cyber hackers, and it is believed that more than RM1 billion losses could have been suffered thus far by companies that ignored or lacked adequate cyber security awareness and measures. Although cyber security is viewed seriously by 7-in-10 of the CEOs as one of the more imperative areas in their organizations that urgently needs to be put in place, most (53%) do not have cyber security measures or systems installed in their organizations yet. Of those who have installed or are installing measures, firewall was the most popular. Other measures include anti-virus, anti-spam, education and security awareness on cyber attack, CISCO, DDOS, Cloud, Barracuda, Sophos, Kaspersky, Symantec, Avira, software upgrade, encryption and USB restriction.

While almost 6-in-10 of the CEOs have not fallen prey to cyber hacking, ransomware, and the like, where the safety of their management information and other digital assets could have been easily compromised, almost 28% had fallen victim so far. If cyber security was offered as a Resource Topic Presentation at either the CEOs' respective Vistage Group Meetings or a Vistage Tea Talk or Summit, 8-in-10 of the CEOs have expressed their interest in attending.

BITCOIN

Bitcoin, a crypto-currency, has been gaining prominence and popularity as a commodity hedge, despite its volatility. As it is unregulated, it has also gained notoriety as the preferred currency for illegal activities. Notwithstanding this, most (49%) CEOs rated their familiarity with Bitcoin as "low", while 33% have no idea about it at all. Close to 17% and slightly more than 1% are moderately and highly familiar with it, respectively.

MANPOWER BY GENERATION

Today's employees in organizations come in a wide range of ages. According to 66% of the CEOs, only 1-10% of their manpower consist of baby boomers (born 1946-1964), while 15% and 7% estimated their baby boomer staff at 11-20% and 21-30%, respectively. Most (24%) of those who hire staff from Generation X (born 1965-1976) estimated their size at 11-20%, followed by 22% and 19% who estimated this group of their manpower at 21-30% and 1-10%, respectively. 17% of the CEOs employ 41-50% of their employees from Generation Y/Millennials (born 1977-1995), while 56% of the CEOs hire those from Generation Z/Centennials (born 1996 and later) who comprise 1-10% of their workforce.

Generally, for Baby Boomers (BB) and Gen X (GX) to work effectively with Gen Y (GY) and Gen Z (GZ) for increased productivity and retention, 90% of the CEOs agree that BB and GX should listen to GY and GZ's ideas, while 89% agree that BB and GX should spend time to get to know GY and GZ.

83% also agree that GY and GZ should not be treated like kids and 72% agree that BB and GX should not watch over every move of GY and GZ.

SOURCES OF MALAYSIA'S GROWTH

Most (69%) CEOs believe that Malaysia's growth could likely come from tourism (due to the weak Ringgit), while 61% named exports and 56% identified increased investments resulting from planned large infrastructure projects over the next five years. 38% and 30% said growth could come from domestic consumer spending and increase in commodity prices, respectively. Some were of the view that real estate (due to the weak Ringgit), licensing of manufacturing warehouse to invite more foreign investors, financing of shared services, SME exports, halal food and leveraging of fund management could also contribute to Malaysia's growth.

MALAYSIA-CHINA COOPERATION

On 1 November 2016, Malaysia and China made history by signing 14 agreements for proposed investments worth almost RM144 billion. When asked if CEOs are involved or expecting to benefit from this initiative, 59% said they are not involved but 41% are. 42% also believe that the heightened Malaysia-China collaboration will benefit their businesses, while 38% are unsure and almost 20% do not think so.

EMPLOYER MANDATORY COMMITMENT (EMC)

The Employer Mandatory Commitment (EMC), introduced by the government to make it compulsory for employers to bear the levy for their foreign workers, is now postponed to next year. Should this ruling come into force, almost 53% of the CEOs said they will be affected by it, with 48% and 32% rating the extent of the impact on them as "moderate" and "minimal", respectively. 20% expect to be affected substantially.

INVESTMENT IN THE NEXT SIX MONTHS

In the first half of 2017, almost 47% of the CEOs will park their money in fixed deposits/cash. Local real estate is looking attractive to 39% of the CEOs, while equities, and unit trusts/mutual funds are the likely options for 37% and 23% of the CEOs, respectively. 9% are setting their sights on gold/gold futures, 8% will likely invest in foreign real estate, 5% in bonds and 3% in Bitcoin. Close to 7% are potentially considering the following: purchase of company's remaining shares, crowd funding, foreign exchange, E-split shares platform, IBS precast R&D academy centre, new business, own business, new start-up, overseas business, PRS, and talent and business expansion.

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 21,000 members worldwide.

Vistage Malaysia has more than 600 members with combined annual revenue of RM57 billion and employing over 100,000 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.