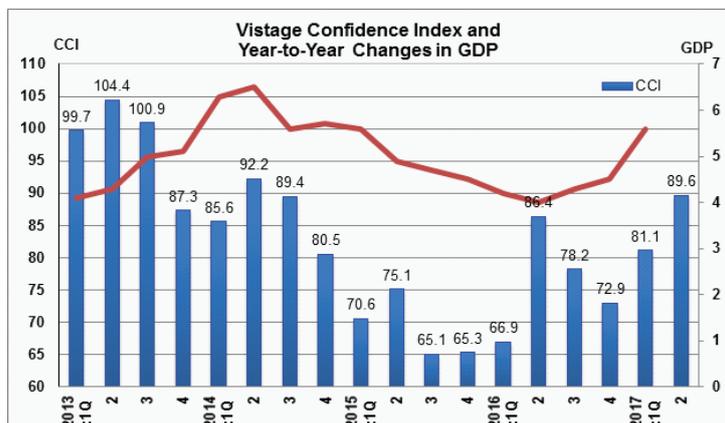


SENTIMENTS IMPROVE FURTHER BUT REMAIN GUARDED

CEOs are warming further to the economy and prospects of their firms going forward. Reflecting this is the Vistage-MIER CEO Confidence Index for 2Q2017 which picked up 8.5 points on the quarter to 89.6, up 3.2 points year-on-year. Notwithstanding the higher reading, the Index remains persistently below the 100-point optimism threshold, indicating that positivity amongst CEOs has increased lately, but confidence remains elusive as slow domestic and global economic growth continue to weigh on their sentiments.



CEOs' recent assessment of the country's state of economic affairs has softened from last quarter. This is shown in the current economic conditions index which rose to 71 in 2Q2017 from 43 and 51 in 1Q2017 and 2Q2016, respectively. 13% responded favourably, up from 5% in 1Q2017 and 7% in 2Q2016. Negative responses were also relatively smaller in proportion this time around to the previous quarter and last year. Much of the same sentiments are expected in the coming months as well, as indicated in the index for expected economic conditions which, at 96, shows an upgrade of 29 points quarter-on-quarter. 24% of the CEOs believed that economic conditions will improve soon, up from 12% in 1Q2017 and 20% in 2Q2016.

CEOs' projections on the outlook of their firms in the second half of 2017 are looking up. Except for the expected profitability index, the indexes for expected employment, fixed investment and revenue trended higher this quarter. The expected revenue index, at 140, is marginally better than the previous quarter's 139, with 54% of the CEOs projecting higher revenues, compared to 53% in 1Q2017. The latest index for planned fixed investment gained three points from 1Q2017's 120, with those allocating higher budgets for such investment totaling 39%, compared to 37% a quarter ago. An increase in headcount is expected in the coming months, as indicated by the expected employment index which increased from last quarter to 129 currently. 47% of the CEOs are planning to expand their workforce soon, up from 38% in 1Q2017 and 42% in 2Q2016. The index for expected profitability recently lost two points from 1Q2017's 120 and four points from 2Q2016's 122. 42% forecasted higher profits soon, little changed from the 41% polled previously.

INDUSTRY 3.0 AND 4.0

In the Index survey of 1Q2017, 39% of the CEOs indicated that their business is in Industry 1.0 and Industry 2.0. To move their businesses toward Industry 3.0 and Industry 4.0, most of the CEOs (63%) opined that they would need the assistance of specialist consultants, while 54% felt that the sourcing of grants/funds would help and almost 44% suggested engaging resource speakers.

VISTAGE-MIER CEO Confidence Index Highlights

54% of CEOs projected higher revenues, up from 53% in 1Q2017 and 52% in 2Q2016.

42% of CEOs expected increased profits, up from 41% in 1Q2017 and 2Q2016.

63% of CEOs opined that specialist consultants are needed to move their businesses toward Industry 3.0 and Industry 4.0.

55% of CEOs have little knowledge of the Regional Comprehensive Economic Partnership (RCEP).

44% of CEOs have little knowledge of the Digital Free Trade Zone (DFTZ).

67% of CEOs do not envisage any increased and/or business opportunities with the UK with Brexit.

75% of CEOs have not taken any steps yet to harmonize their constitution with the provisions of the new Companies Act 2016.

69% of CEOs viewed the Employment Insurance Scheme as an unnecessary cost burden to them.

59% of CEOs preferred a monthly fixing of fuel prices.

45% of CEOs contemplated a mindset of growth/expansion for 2017/2018.

59% of CEOs intended to withdraw full/partial monies from EPF at age 55.

42% of CEOs planned to invest in equities in the second half of 2017.

	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
VISTAGE-MIER CEO CONFIDENCE INDEX	66.9	86.4	78.2	72.9	81.1	89.6
COMPONENTS						
Current Economic Conditions	20	51	47	34	43	71
Expected Economic Conditions	35	89	72	53	67	96
Expected Change in Employment	120	132	123	123	124	124
Planned Fixed Investment	105	121	112	111	120	123
Expected Revenue Growth	122	138	126	123	139	140
Expected Profit Growth	104	122	111	107	120	118

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.

21% preferred having a keynote speaker at conferences and 7% cited, among others, the following: in-house review/assessment, digitalization of manufacturing and Big Data, new market access, focus on business strategies and competitive advantages, leverage on suppliers and synergy competitors, talent development, business partnership, research, infrastructure improvement (e.g. higher internet speed), publicity including advertisement and branding, investment in automation, governmental support for regional and global competitiveness, innovation and creativity, as well as having a platform for entrepreneurial collaboration and exchange.

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

Now that the Trans-Pacific Partnership Agreement (TPPA) has been spurned by the US, the RCEP, comprising China, India, Japan, South Korea, Australia, New Zealand and ASEAN-10 is being viewed as imperative for Asia and Asia-Pacific economies. The survey, however, found that more than half of the CEOs know very little about RCEP and/or would like to know more about it. About 38% of them believe that the RCEP will benefit Malaysia and Malaysian businesses, but 7% think otherwise.

DIGITAL FREE TRADE ZONE (DFTZ)

The DFTZ, launched recently, will provide physical and virtual zones to facilitate SMEs to capitalize on the convergence of exponential growth of the internet economy and cross border e-Commerce activities. These zones will be established in phases, with the first involving an e-Fulfillment Hub, focusing on logistics, air cargo, aerospace and aviation, with its roll-out between 2017-2019. Like the RCEP, most CEOs (44%) have little knowledge about the DFTZ and/or would like more information on it. While 3-in-10 are of the view that the DFTZ will benefit their businesses, 26% responded negatively.

BREXIT

The British PM, Theresa May, had, on 29 March 2017, invoked Article 50 of the Lisbon Treaty, triggering a 24-month process for Britain to quit the European Union (EU) bloc, popularly known as Brexit. It is now imperative for Britain to begin striking new trade deals with non-EU countries globally. To this end, almost 67% of the CEOs do not envisage for themselves/their businesses any increased investment and/or business opportunities with the United Kingdom. Only 7% answered favourably, while 26% do not rule out such possibility.

COMPANIES ACT 2016

Effective 31 January 2017, the Companies Act 2016 replaced the erstwhile Companies Act 1965. While the M&A of existing companies remains valid and enforceable, companies may decide to revoke entirely its M&A or amend certain clauses to harmonize its constitution with the provisions of the new Act. Almost three quarters of the CEOs have not taken any steps so far on this, while 23% intend to amend certain clauses to harmonize with the new provisions and only 2% have revoked or intend to revoke the existing constitution.

EMPLOYMENT INSURANCE SCHEME (EIS)

The EIS, to be launched on 1 January 2018, was mooted by the government to protect the interest of workers who lose their jobs when their employers cease operations. Some view it as an unnecessary cost (0.25% of base pay each) that will only burden businesses, to which almost 69% of the CEOs agree, while 31% see such a scheme as necessary.

FIXING OF FUEL PRICES - WEEKLY/MONTHLY?

All considered, 59% of the CEOs are in favor of a monthly fuel price fixing (month end), while 41% prefer the weekly mechanism (every Wednesday) currently in place.

CEOs' MINDSET OF THEIR BUSINESSES FOR 2017/2018

With regard to their businesses, CEOs were asked of the sort of mindset they see themselves adopting for 2017/2018. A majority of almost 45% noted growth/expansion, while consolidation and survival are on the minds of 18% and 15% of the CEOs, respectively. 14% of CEOs intend to rationalize, while 8% are considering divestiture.

EPF WITHDRAWAL

The current EPF policy allows contributors to withdraw their monies fully at age 55. Almost 59% are planning to withdraw, either fully or partially, upon turning 55 years old, while 18% have already withdrawn fully/partially theirs at age 55 and 16% will likely leave their monies with EPF. Only 7% have withdrawn fully/partially at age 60.

INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, most CEOs will likely invest in equities and fixed deposits, with 42% and 41% being polled, respectively. Local real estate continues to be one of the most preferred investment options for CEOs, with 37% disclosing such plans, the third largest proportion polled this quarter. 24% are planning to invest in unit trusts/mutual funds in the coming months, while 9% are looking at foreign real estate and close to 9% have gold/gold futures on their agendas. More than 8% are considering investing in bonds soon and 7%, among others, are contemplating other possibilities such as bitcoin, foreign exchange, insurance, recapitalize, replough, private equity, self and company development.

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 17 countries with more than 21,000 members worldwide.

Vistage Malaysia has more than 630 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.