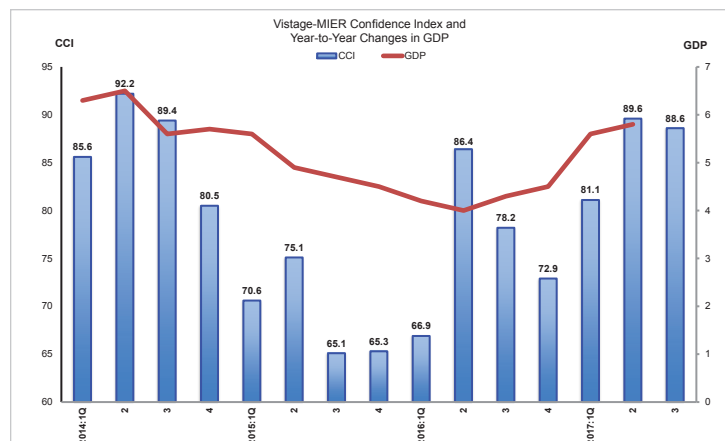


SENTIMENTS REMAIN CAUTIOUS AND PRAGMATIC

Notwithstanding projections that domestic and global economies are recovering, CEOs remain cautious about the Malaysian economy and are adopting a wait-and-see attitude towards their business prospects moving forward. The Vistage-MIER CEO Confidence Index stood at 88.6 points in 3Q2017, down from the prior quarter's 89.6. With the demarcation level of confidence at 100, the latest reading denotes a continuing lack of confidence amongst CEOs in recent months as uncertainties from the policies of developed countries, crude oil prices and geopolitical risks continue to confront Malaysia.



CEOs' appraisal of the local economy is better this quarter than 2Q2017 and 3Q2016. The latest current economic conditions index, at 73, rose two points on the quarter and 10.4 points year-on-year, persistently staying far below the 100-point threshold of optimism. This suggests that CEOs have continued to remain concerned about Malaysia's present economic circumstances, although their sentiments have improved lately. Compared to 3Q2016, 15% of the CEOs opined that the local economy has improved a year on, up from 13% and 4% in 2Q2017 and 3Q2016, respectively. 42% thought that the economy has fared worse in recent months, while another 44% responded neutrally. The status quo is expected for the rest of the year as well, with the index for expected economic conditions being maintained at its 2Q2017's level of 96 in 3Q2017. As in 2Q2017, the same 24% and 28% of the CEOs in 3Q2017 are positive of an economic improvement and deterioration by year-end, respectively. Almost 49% believe there will be no change anytime soon.

CEOs are pragmatic in their outlook for their businesses in the coming months. Capital investment and revenue are expected to take a breather, while profitability and employment will hold their own. The latest expected fixed investment index fell to 119 from the preceding quarter's 123. 38% of the CEOs are planning to pump in more capital expenditure soon, while 19% are contemplating otherwise, compared to 39% and 16% in 2Q2017, respectively. The index for expected revenue lost six points from the previous quarter to 140 in 3Q2017. Half of the CEOs are looking forward to higher revenues soon, down from 54% in 2Q2017; 16% adjusted theirs lower this time around, up from 14% a quarter ago. The expected profitability index inched up marginally from the earlier quarter to 119 currently. 41% of the CEOs are expecting higher profits in the near term, little changed from 2Q2017's 42%. The latest index for expected employment, at 129, has remained unchanged from 2Q2017, indicating that employment is expected to remain firm in the months ahead. New recruitment plans are in the pipeline for 42% of the CEOs, while 45% will likely maintain their existing workforce for the rest of the year.

INDUSTRY 3.0 AND 4.0: SPEAKERS AND CONSULTANTS

In the prior Index survey of 2Q2017, 44% and 63% of the respondents indicated their need for resource speakers and specialist consultants, respectively, to move their business toward Industry 3.0 and 4.0. When asked of the specific topics/help they need in this aspect, advanced analytics (to improve product development and production cycle time) was indicated by a majority of 59% of the respondents. Cloud computing technology was the choice of 48% of the respondents, while 39% named human-machine interfaces (to reduce error using picking technology). 35% and 13% need help in automation through advanced robotics, and 3D printing, respectively.

VISTAGE-MIER CEO Confidence Index Highlights

50% of CEOs expected increased revenues, down from 54% in 2Q2017.

41% of CEOs anticipated higher profits, little changed from 42% in 2Q2017.

59% of CEOs required help of resource speakers and specialist consultants in advanced analytics.

39% of CEOs forecasted an annual GDP growth of 4.5% for 2017.

49% of CEOs opined that Malaysia has applied some lessons learnt from the 1997-98 Asian financial crisis.

36% of CEOs believed that China's OBOR initiative will benefit them.

44% of CEOs who are export-oriented increased their businesses in the past six months.

56% of CEOs who are import-oriented maintained their businesses in the last six months.

48% of CEOs estimated their labour costs at 10-20% of their total operating costs.

76% of CEOs were not adversely affected by the final enforcement of the E-Card.

79% of CEOs used Facebook and 64% used Google.

87% of CEOs indicated that salary and benefits push Malaysian employees to leave their jobs.

42% of CEOs planned to invest in fixed deposits in the next six months.

	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017
VISTAGE-MIER CEO CONFIDENCE INDEX	86.4	78.2	72.9	81.1	89.6	88.6
COMPONENTS						
Current Economic Conditions	51	47	34	43	71	73
Expected Economic Conditions	89	72	53	67	96	96
Expected Change in Employment	132	123	123	124	129	129
Planned Fixed Investment	121	112	111	120	123	119
Expected Revenue Growth	138	126	123	139	140	134
Expected Profit Growth	122	111	107	120	118	119

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.

Respondents also listed, among others, the following topics that would be of assistance to them: artificial intelligence, automation through technology and the Internet, e-commerce, digital marketing, big data analysis and application, cyber security, leadership, people management, service industry-related topics, and business intelligence.

MALAYSIA'S GDP FOR 2017

The Malaysian economy grew 5.6% in 1Q2017, mainly driven by higher private expenditure. The World Bank, in its recent bi-annual Global Economic Prospects, revised Malaysia's GDP up to 4.9% from its earlier forecast of 4.3% in January 2017. CEOs, however, begged to differ, with almost 78% saying the country will only achieve an annual GDP growth of up to 4.5% for 2017. Most (39%) believe a rate of 4.5% is attainable, while 25% and 14% are looking at 4% and less than 4%, respectively. 23% of the CEOs are more optimistic, with 17% saying that a growth of 5% is achievable, and 6% are projecting a GDP of more than 5% for 2017.

LESSONS FROM THE ASIAN FINANCIAL CRISIS OF 1997-98

July 8, 2017 marks the twentieth anniversary of the 1997-98 Asian financial crisis. Lessons from this crisis were drawn by economists for the prevention of such episodes or mitigation of their effects, some of which are similar to lessons of the 2007-09 global financial crisis. CEOs were asked if Malaysia has applied any of these lessons learnt from this crisis and prepared itself for any such crisis in the future, almost 51% do not think she has, while 49% responded favourably.

CHINA'S ONE BELT ONE ROAD (OBOR)

China's OBOR initiative is expected to provide substantial business opportunities to Malaysia. 36% of the CEOs believe this initiative will benefit them, while 47% are not sure of the impact this will have on them, and almost 17% do not expect to benefit from it.

PROFILE OF VISTAGE COMMUNITY

To understand the business profile of the Vistage community, CEOs were asked of their business inclination and performance over the last six months. Among those who are export-oriented, most of them have either increased (44%) or maintained (42%) their businesses in the past six months, reflecting the recent uptrend in global trade activity. Improvement in external demand is often a boon to the domestic economy. 56% of the import-oriented respondents revealed that they have maintained their businesses in the last six months, while 27% increased theirs. Similarly, 54% of those who are wholly domestic-oriented (use local components and sell locally) have also managed to maintain their businesses during the same period, with another 27% expanding theirs.

COSTS OF DOING BUSINESS

There have been numerous increases in the costs of doing business arising from external factors such as Government policy and unregulated services.

Of the cost components, labour forms the bulk of respondents' total operating costs, followed by logistics, raw materials, energy and water. As a percentage of total operating costs, most (48%) respondents estimated their labour costs at 10-20%, while logistics, raw materials and energy comprise 10% each. More than half of the respondents do not incur any water cost, but 40% estimated theirs at 10% of total operating costs. Among other costs borne by respondents are advertising and promotion, administration, commission and incentive trips to agents, interest, Internet and IT services, machinery, marketing and rent.

In the last six months, operating costs had increased. Higher costs of labour and logistics had affected 87% and 85% of the respondents, respectively. 84% had to put up with costlier raw materials, while 78% were burdened by higher energy costs and 65% paid more for water.

The rate of increase in operating costs for all components was mainly in the range of 1-5%. Water topped the list, with 86% of the respondents claiming that their water cost has increased by this quantum. Energy followed next with 77% responses, while the same rate was also noted for logistics, labour and raw materials by 55%, 43% and 42% of the respondents, respectively.

BUDGET 2018 WISH LIST

Malaysia's National Budget 2018 will be announced on 27 October 2017. The top three wishes of CEOs for the coming Budget are for a reduction in corporate and personal income taxes, provision of incentives/fund for SMEs and a reduction in/abolition of the existing GST rate. Other suggestions include strengthening/stabilizing the Ringgit as well as providing incentives for green projects/technology, recycling, higher automation, exports and export promotion, taxes, construction/property development, brands and innovation, capital investment and entrepreneurs. Some CEOs called for a reduction in electricity tariffs, government expenditure, petrol price, road tax, RPGT and size of the public sector. Proposals for the provision of subsidies for agriculture, exporters, childcare/preschool fees, automation, medical and equipment for private hospitals and new technology investment were also featured in CEOs' wish lists this time.

ENFORCEMENT CARD (E-CARD)

From 15 February to 30 June 2017, Malaysian employers of illegal foreign workers were allowed to apply for a temporary E-Card to address foreign labour shortages in several key economic sectors. Generally, the E-Card did not pose a problem for respondents as three quarters of them claimed that the final enforcement of the E-Card system have not adversely affected them.

SOCIAL MEDIA

Increasingly, more businesses are using the social media, including the Vistage community. Of the platforms used, Facebook and Google are the most popular among respondents, with 79% and 64% of votes being received, respectively. YouTube came in third with 42% responses, followed by LinkedIn (37%), Instagram (30%) and Twitter (11%). 8% are using other platforms, with most of them into WeChat and Whatsapp. Only 4% and 2% of the respondents use Pinterest and SnapChat, respectively.

REASONS FOR EMPLOYEES LEAVING JOBS

According to the Randstad Employer Branch Research 2017, 37.4% of employees in Malaysia, Singapore and Hong Kong are planning to leave their companies in the next six months. As to the reasons for their leaving, most (89%) respondents believed that salary and benefits were the push factor, while a lack of career progression and unappreciation were identified by 87% and 76% of the respondents, respectively. 73% said employees leave as they never had long-term plans to stay, while a poor workplace environment and dissatisfaction with daily tasks were suggested by 67% and 57% of the respondents, respectively. Having a dislike for immediate colleagues and inconvenient location of workplace were the other factors cited.

TOP 3 CONCERNS AS A MALAYSIAN

Based on the survey findings, the top three concerns of respondents as Malaysians are corruption, the weak Ringgit and the political situation. Other concerns relate to the Malaysian economy, safety/security, education, racial and religious issues and high cost of living.

INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, most respondents are planning to invest in fixed deposits/cash, equities and local real estate. A total of 42%, 39% and 37% of votes were received, respectively. Fourth, in terms of responses, were unit trusts/mutual funds (25%), followed by foreign real estate (9%), gold and/or silver (8%), bonds (7%) and Bitcoin/Ethereum (5%). Other investments that some CEOs are setting their sights on include new business startups, family property, foreign currencies, offshore investments, and private retirement schemes (PRS).

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, the US, Canada, the UK and Australia. In 4Q2005, Vistage Malaysia – a licensee of US-based Vistage International, the world's leading chief executive leadership development organization – entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the CEO Confidence Index.