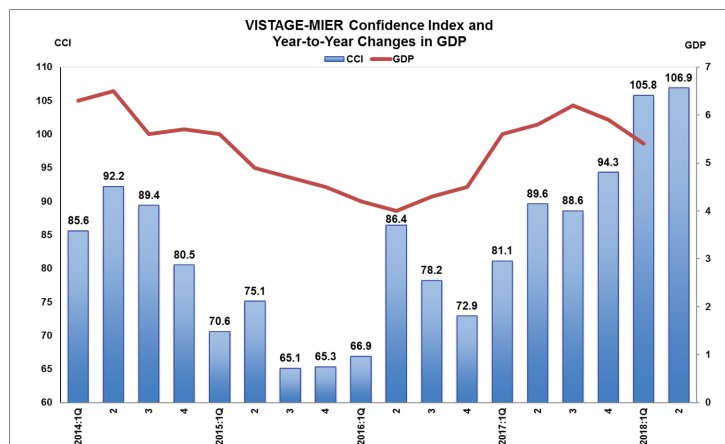


CONFIDENCE PREVAILS CAUTIOUSLY

CEOs were reserved about the Malaysian economy recently but they are optimistic about its outlook going forward. Their projections about the prospects of their firms in the near term are generally positive, albeit cautiously. Reflecting this is the 2Q2018 Vistage-MIER CEO Confidence Index which, at 106.9, is little changed from the prior quarter's 105.8 and supported primarily by the expected economic conditions sub-index.



The current economic conditions index slipped back into the red again in 2Q2018 to stand at 92 points, down from 101 in 1Q2018, indicating CEOs' cautiousness or lack of satisfaction with the local economy lately. Of the 614 CEOs who responded to the survey, 17% opined that overall economic conditions in Malaysia have improved in 2Q2018, down from 24% in 1Q2018. A quarter of them responded negatively, up from 23% last quarter. But they have faith that Malaysia will do well economically soon. This is shown by the expected economic conditions index which surged to an eight-year high of 142 in 2Q2018. 54% of the CEOs are forecasting an improvement in the domestic economy soon, up from 35% in 1Q2018 and 24% in 2Q2017.

CEOs' projections on the short-term outlook of their firms in the coming months are cautious, but generally favourable, as all the sub-indices this quarter charted scores well beyond the 100-point optimism threshold, with majority (albeit smaller) of the CEOs having responded positively as well. The index for expected revenue fell four points from 1Q2018 to 153 in 2Q2018, indicating that CEOs have adjusted their revenue expectations lower for the rest of the year. 61% of them are anticipating higher revenues soon, down from 66% in 1Q2018. Profitability is also expected to shift lower, with the expected profits index in 2Q2018 losing three points from 1Q2018's 144. 52% of the CEOs are looking forward to higher profits soon, down from 55% last quarter.

The indexes for expected fixed investment and employment in 2Q2018, at 140 each, are unchanged from 1Q2018, indicating that fixed investment expenditure and employment are expected to remain steady in the second half of 2018. 49% of the CEOs will be expanding their capital expenditure and 48% will increase their headcount soon, compared to 50% and 48% a quarter ago, respectively.

Three additional expectational indicators are included in the current survey, namely, new orders, both local and export, and local sale prices. New local orders are expected to perform better than those from abroad in the near term. While 56% of the CEOs look forward to receiving more orders locally, 54% believe their orders from abroad will remain the same in the months ahead. Local sale prices will be maintained for now as well, with 55% of the CEOs affirming this, although 32% are planning to raise theirs sometime soon.

VISTAGE-MIER CEO Confidence Index Highlights

61% of CEOs expected higher revenues, down from 66% in 1Q2018.

52% of CEOs projected higher profits, down from 55% in 1Q2018.

63% of CEOs are not affected by the US-China trade war.

59% of CEOs are positively impacted by the stronger Ringgit in the past six months.

39% of CEOs had 80-100% success in obtaining bank financing.

40% of CEOs estimated their debt ageing profile beyond their credit period to customers as more than 30-60 days over their collection period.

50% of CEOs are agreeable to a new minimum wage rate of less than RM1,200.

70% of CEOs indicated minimal impact of EIS on their businesses.

77% and **73%** of CEOs are not using solar energy for their businesses and residences, respectively.

56% of CEOs cited growth as their main challenge for the next twelve months.

40% of CEOs are in a family-owned business, with **57%** from the second generation.

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

	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
VISTAGE-MIER CEO CONFIDENCE INDEX	81.1	89.6	88.6	94.7	105.8	106.9
COMPONENTS						
Current Economic Conditions	43	71	73	81	101	92
Expected Economic Conditions	67	96	96	98	118	142
Expected Change in Employment	124	129	129	134	140	140
Planned Fixed Investment	120	123	119	134	140	140
Expected Revenue Growth	139	140	134	144	157	153
Expected Profit Growth	120	118	119	125	144	141

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.

US-CHINA TRADE WAR

According to 63% of Malaysian CEOs, the ongoing trade war between the world's two largest economies, the US and China, is not likely to have an impact on them at all. Only 15% believe they would be affected positively, while 21% responded negatively.

IMPACT OF RINGGIT ON BUSINESS

The stronger Ringgit in the past six months has been favourable for more CEOs in general. 59% described the impact on them as positive, while 41% were affected negatively. Of those who responded positively, 6% rated the impact on them as significant and 31% described theirs as moderate. 22% were minimally, but positively, affected. Among the negative responses, most (19%) were minimally affected, while 18% and 4% assessed theirs as moderate and significant, respectively.

BANK FINANCING

It was found in the prior survey that 82% of the CEOs sourced their funds to grow their businesses from traditional financing. As to their success in obtaining bank financing, most (39%) of them rated theirs as 80-100%. While 31% and 17% succeeded in getting 60-80% and 40-60% of such funds, respectively, more than 7% had a success rate of 20-40%. Only 6% were less than 20% successful.

CREDIT COLLECTION PERIOD

Based on feedback that collection of trade debts are taking longer than a company's credit period, CEOs were asked of their company's debt ageing profile beyond the given credit period granted to their customers. Most (40%) of them estimated theirs to be more than 30-60 days over their collection period, while 27% and 22% assessed theirs to be up to 30 days and more than 60-90 days, respectively. A period of more than 90 days over their collection period was divulged by 11% of the CEOs.

NEW MINIMUM WAGE RATE

Results of the 4Q2017 survey show that 71% of the CEOs opined that a third review of the minimum wage is too soon and unnecessary. But should the new rate be finalised in August 2018, half of the CEOs would only be agreeable to a rate of less than RM1,200, while 24% do not object to a wage of less than RM1,500. Below RM1,300 and RM1,400 are acceptable to 20% and 6% of the CEOs, respectively.

EMPLOYMENT INSURANCE SCHEME (EIS)

Following the implementation of the EIS on 1 January 2018, almost 7-in-10 of the CEOs indicated that the impact this has on their businesses was minimal so far, while that on 26% was moderate and only 4% were affected significantly.

SOLAR ENERGY

When asked if CEOs have resorted to using solar energy, most do not use it, either in their businesses or residences. 77% have not used it for their businesses but 16% are planning to do so in the near future. Only 7% use this energy in their businesses. No solar energy is used in their residences as well, as attested to by 73% of the CEOs, but 15% have and 71% will likely use it later on.

TOP 3 CHALLENGES FOR THE NEXT TWELVE MONTHS

Topping the list of the three main challenges for CEOs in the next twelve months is growth (new markets, product development, expansion, mergers and acquisitions), with 56% saying this.

Talent management (recruitment and hiring, training and development, performance management and retention) was second on the list (51% responses), followed by sales performance with 50% votes. Financials (cash flow, taxes, profitability, capital and credit) were noted by 36% of the CEOs, while customer acquisition/lead generation garnered 25% responses. Customer experience (customer service, retention, NPS) is a challenge for 21% of the CEOs, while strategic planning (20% responses), organizational culture (16%) and leadership made it to the list as well. Other challenges include, among others, raw material price volatility and availability, rising costs, delivery, IP issue with competitor, property market condition, digital and big data, and competition from China.

FAMILY-OWNED BUSINESSES

When asked if any of the CEOs are in a family-owned business, 40% said they are, while the rest are not. Of those who are, almost 57% are from the second generation, while 38% and 5% are from the first generation and third generation, respectively. In terms of empowerment, most (46%) believe they have been fully empowered to professionalize their businesses, while 44% are working on it. Only about 10% responded negatively.

INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, the top four investments that CEOs are contemplating have remained the same as in the prior quarter - equities, fixed deposits/cash, local real estate and unit trusts/mutual funds, with responses totaling 42%, 40%, 32% and 24%, respectively. 9% of the CEOs are interested in investing in foreign currencies, while 7% are setting their sights on private equity. 5-6% of the CEOs are planning to invest in cryptocurrency, gold and/or silver, bonds and Fintech (ECF, P2P) in the near term as well.

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 20 countries with more than 22,000 members worldwide.

Vistage Malaysia has more than 700 members with combined annual revenue of RM60 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.