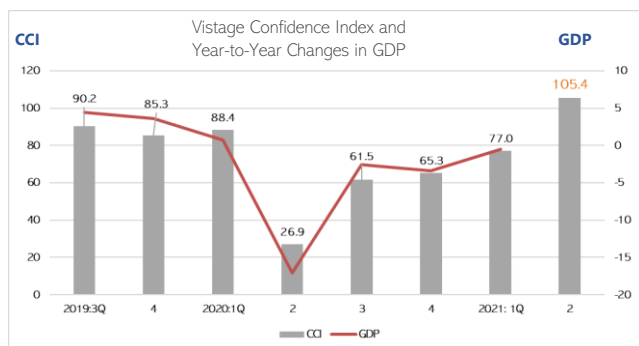


## CONFIDENCE RETURNS

Notwithstanding the continued closure of international borders and restrictions on inter-state travel to curb the spread of the Covid-19 pandemic, CEOs are looking more confident now than they did a year ago. Reflecting this is the latest Vistage-MIER CEO Confidence Index which rose 28.4 points from the prior quarter to 105.4, its highest reading since 3Q2018. Thanks to higher domestic demand and exports, CEOs' businesses are finally turning the corner as the Malaysian economy recorded a year-on-year contraction of 0.5% in 1Q2021, a sign of recovery from a decrease of 3.4 per cent in 4Q2020, with improvement noted in all economic sectors and beating market expectations of a 1.9% year-on-year decline.



	3Q 2019	4Q 2019	1Q 2020	2Q 2020	3Q 2020	4Q 2020	1Q 2021	2Q 2021
VISTAGE-MIER CEO CONFIDENCE INDEX	90.2	85.3	88.4	26.9	61.5	65.3	77	105.4
Current Economic Conditions	71	62	66	6	14	15	39	112
Expected Economic Conditions	109	92	88	15	65	62	79	129
Expected Change in Employment	127	126	126	65	109	115	121	139
Planned Fixed Investment	124	118	123	46	91	96	108	130
Expected Revenue Growth	132	129	139	35	97	107	122	152
Expected Profit Growth	119	118	126	36	89	99	113	135

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.

## Vistage CEO Confidence Index Highlights

### Economy

CEOs have not been this optimistic about the domestic economy as they have been lately for the past ten years. The latest index for current economic conditions soared 73 points on the quarter to a decade-high of 112, indicating CEOs' commendation of the country's current state of economic affairs. 39% of the 800 CEOs opined that the economy has performed better in 2Q2021, up considerably from the 6% in 1Q2021 and 1% in 2Q2020.

All the other forward-looking indexes of the survey also surged past the 100-point optimism threshold this quarter, reflecting the CEOs' sanguine prognosis of the economy and prospects of their businesses going forward. The expected economic conditions index also rose to its highest since 3Q2018. At 129, it shows that CEOs are putting more faith on the economy for the coming months, with 48% responding favourably, far exceeding the 24% and 4% in 1Q2021 and 2Q2020, respectively.

### Prospects

CEOs generally believe that their businesses would do better in the second half of 2021. The expected revenue index rose to a three-year high of 152, an inference that an increase in revenues is expected soon. 63% are projecting higher revenues in the coming quarter, up from 44% last quarter and 10% a year ago. Only 11% are expecting the worst, down from 22% previously.

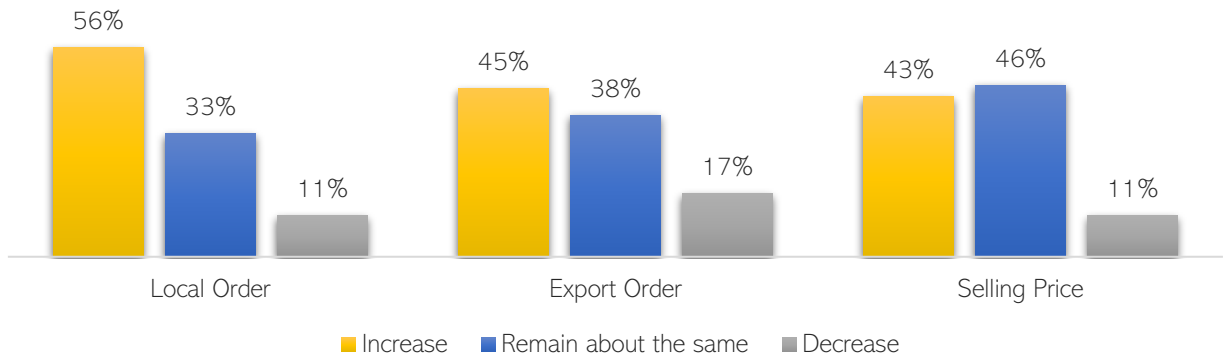
The index for expected profitability this quarter rose to 135, another high since 3Q2018, and an implication that higher profits are forecasted in the months ahead. 52% of the CEOs are looking forward to reaping more profits soon, up from 39% in 1Q2021. Those who foresee otherwise have also declined to 17% from 26% a quarter ago.

### Expansion

Chances of getting hired in the coming months may just materialise. The expected index for employment picked up 18 points quarter-on-quarter to reach a three-year high of 139, suggesting that more recruitment will likely be implemented in the next quarter or two. 47% are planning to increase their headcount soon, up from 1Q2021's 36% and 2Q2020's 7%.

Capital expenditure (CAPEX) is also expected to beef up soon. This is shown by the index for expected capital expenditure (CAPEX) which, at 130, is at its highest level since 4Q2018. Higher CAPEX is being planned by 43% of the CEOs, up from 32% in 1Q2021 and 11% a year ago.

### Order Forecast & Selling Price



Domestic and export orders are expected to gain some momentum in the near term as well. 56% of the CEOs who sell locally are expecting an increase in their orders soon, up from 41% and 13% in 1Q2021 and 2Q2020, respectively. Among those who export, 45% hoped to receive more orders in the coming months, up from 43% last quarter and 16% a year ago. Local selling prices are trending up. With 43% of the CEOs planning to hike their prices soon, this is, by far, the highest proportion received since the incorporation of this question into this survey three years ago.

### REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

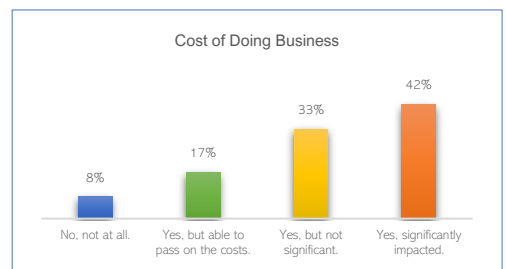
Results of the prior survey have shown that 68% of the respondents were aware of the RCEP but they needed more information on it. A webinar was subsequently organized by Vistage on this and it was well attended by more than 100 participants. Should another webinar be organized to update CEOs on the RCEP in the near term, 79% replied that they would listen/attend.

### ONLINE SALE TRANSACTIONS

The rapid pace of digitalisation has led to sales being transacted online, from business to consumer (B2C) to business to business (B2B) and business to government (B2G). When asked how much of their sales are transacted online, most respondents assessed theirs at less than 10% for all categories of business: B2C (55% responses), B2B (53% responses) and B2G (65% responses).

### COST OF DOING BUSINESS

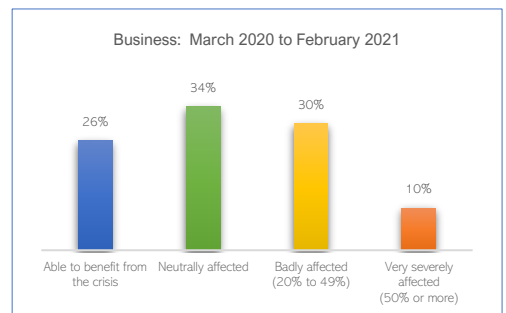
Parallel to the uptrend in the headline inflation, the cost of materials or cost of doing business has also shifted anywhere but down, and this has impacted 92% of the respondents. A breakdown of the results shows that majority (42%) of the CEOs revealed that the higher costs have impacted them significantly, while 33% were impacted, but not significantly, and 17% who were impacted passed on the costs to their customers. Only 8% were not affected at all.



### BUSINESS AND EMPLOYEE RETENTION: MARCH 2020 TO FEBRUARY 2021

During the Covid-19 pandemic from 18 March 2020 to 17 February 2021, the businesses of most (34%) respondents were neutrally affected, while 30% were badly affected (20%-49%), and 10% were very severely affected (50% and above). 26% were able to benefit from the crisis instead.

Employee retention during this period had remained the same for most (58%) of the respondents, while 25% retrenched theirs, and 17% recruited more workers.



## COVID-19 VACCINATION

As of 20 March 2021, according to our Health Director-General Tan Sri Noor Hisham Abdullah, close to 6.09 million Malaysians have registered for the Covid-19 vaccine via the MySejahtera mobile application. A clear majority of 82% of the CEOs have registered for the vaccination to date.

As of 4 April 2021, a total of 740,226 people have been vaccinated, with 279,023 individuals in the first phase of the National Covid-19 Immunisation Programme having completed both doses of their vaccine shots. If given a choice, majority (41%) of the respondents would prefer the Pfizer vaccine. Another 33% prefer the Sinovac vaccine, while 24% have no preference at all. The AstraZeneca and Sputnik V received 1% responses each.

## MALAYSIA DIGITAL ECONOMY BLUEPRINT

MyDigital, through the Malaysia Digital Economy Blueprint announced on 19 February 2021, is a national initiative of the Government to transform Malaysia into a digitally-driven, high-income nation and a regional leader in digital economy. When asked if they are aware of this initiative, 52% are not while the rest are.

## IMPACT OF LOWER FDI's

Malaysia's foreign direct investments (FDIs) have been on the decline since 2016 and, according to a report by the United Nations Conference on Trade and Development (UNCTAD), the FDI inflows to Malaysia shrunk by 68% to US\$2.5 billion in 2020, representing one of the lowest inflows experienced among the 10 ASEAN countries. Such a trend, according to 56% of the respondents, will affect their decisions in future business investment plans.

## CEO CONFIDENCE INDEX DEBRIEFS

Following the official publication of the last two quarterly CEO Confidence Index (CI) reports, Vistage conducted two debriefs on the CI. On the regularity of these debriefs, half of the CEOs would prefer that they be held on a bi-annual basis, while 39% and 11% preferred it quarterly and annually, respectively.



## ABOUT VISTAGE MALAYSIA AND MIER

Vistage Malaysia is a licensee of Vistage International, USA, the world's most trusted resource for CEOs, business owners and key executives of small and medium sized businesses to help them become better leaders, make better decisions and deliver better results, providing unparalleled access to issue resolution and better performance through monthly peer advisory group meetings, one-on-one business coaching, expert speaker presentations, and extensive online connectivity spread over 1,800 cities in 22 countries with more than 23,000 members worldwide.

Vistage Malaysia has more than 800 members with combined annual revenue of RM70 billion and employing over 120,000 employees. Vistage member companies grow, on average, 2.2 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 socioeconomic issues of national, regional and global importance.