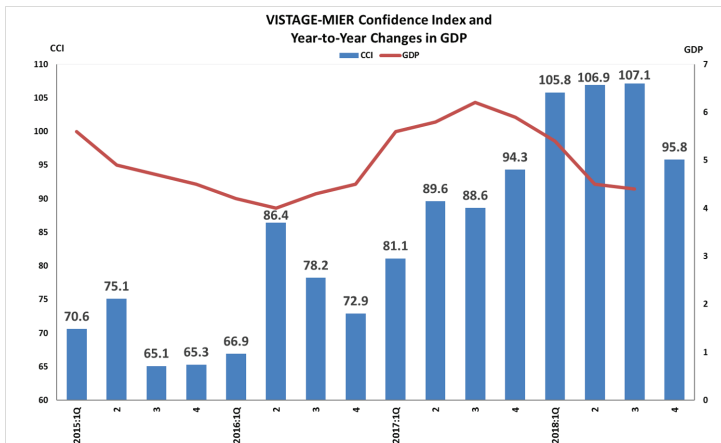


## COOL SENTIMENTS

Global and domestic challenging headwinds continue to weigh on Malaysia's economic growth, undermining business confidence. Reflecting this is the VISTAGE-MIER CEO Confidence Index which fell below the 100-point confidence threshold to 95.8 in 4Q2018, its lowest level for the whole of 2018. This shows CEOs' lack of confidence with the current state of the domestic economy and their cautiousness in the prospects of their firms going forward.



The current economic conditions index lost 27 points from 3Q2018 to 107 in 4Q2018. Only 14% of the 627 respondents believed that the economy has improved recently, compared to 25% last quarter and 16% a year ago. 52%, however, opined that the economy has remained resilient to date, while 34% said it has worsened. The index for expected economic conditions, at 113, fared better than 4Q2017's 98, indicating that the economy is expected to hold up fairly well in the near term.

Going into the new year 2019, CEOs are taking it easy by adopting a cautiously optimistic outlook for their businesses. They have lowered their expectations for everything, except profits. The latest index for planned fixed investment stood at 130, four points down year-on-year, implying that investments will soften in the coming months. 44% are planning to increase their investment budgets soon, down from 46% in both 3Q2018 and 4Q2017. The expected index for revenue this quarter also shed two points from last year's 144, suggesting that revenues are expected to moderate in the months ahead. 55% are anticipating higher revenues soon, down from 59% last quarter, but little changed from 4Q2017's 56%.

Hiring will take a slight breather early next year as well. This is denoted by the index for expected employment which fell to 130 from 136 in 3Q2018 and 134 in 4Q2017. 41% will increase their headcount in the coming months, compared to 45% in both 3Q2018 and 4Q2017. The only increase was observed for the index for expected profits which, at 129, is up four points from 4Q2017. 47% expect higher profits soon, up from 45% last year.

New orders in the next quarter are expected to trend lower than the past two quarters, especially local orders. 46% of the CEOs are forecasting higher local orders soon, down from 54% and 56% in 3Q2018 and 2Q2018, respectively. Those expecting to receive more orders from abroad (33%) this time have remained relatively stable from the prior quarter (34%). Sale prices, according to most CEOs (49%), will remain the same in the coming months, but those planning to hike their prices soon have grown to 38% from 34% last quarter and 32% in 2Q2018.

## VISTAGE-MIER CEO Confidence Index Highlights

**55%** of CEOs expected revenues to improve, down from 56% in 4Q2017 and 59% in 3Q2018.

**47%** of CEOs forecasted better profits, compared to 45% in 4Q2017 and 51% in 3Q2018.

**46%** of CEOs projected higher local orders, down from 54% in 3Q2018.

**33%** of CEOs expected more export orders, little changed from 34% in 3Q2018.

**38%** of CEOs planned to increase their local sale prices, up from 34% in 3Q2018.

**48%** of CEOs opined that their company strategy is generally understood and guides business decisions, but not well-defined.

**66%** of CEOs noted that the protracted US-China trade war has no impact on their businesses.

**55%** and **49%** of CEOs do not think the third national car project will benefit them personally and professionally, respectively.

**62%** of CEOs have registered for SST, of which **39%** were impacted moderately.

**73%** and **75%** of CEOs believed corruption has reduced but security has remained the same, respectively.

**64%** of CEOs agreed that the retirement age should be raised from the present 60 and **69%** opined that it should be raised to 65.

**91%** and **89%** of CEOs have become better strategic thinkers and more effective leaders since joining Vistage, respectively.

**48%** of CEOs planned to invest in fixed deposits in the first half of 2019.

	3Q 2017	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018
<b>VISTAGE-MIER CEO CONFIDENCE INDEX</b>	88.6	94.7	105.8	106.9	107.1	95.8
<b>COMPONENTS</b>						
Current Economic Conditions	73	81	101	92	107	80
Expected Economic Conditions	96	98	118	142	146	113
Expected Change in Employment	129	134	140	140	136	130
Planned Fixed Investment	119	134	140	140	136	130
Expected Revenue Growth	134	144	157	153	148	142
Expected Profit Growth	119	125	144	141	137	129

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 2<sup>nd</sup> quarter 2003 survey.

**CORPORATE STRATEGY, PLANNING & EFFECTIVENESS**

On their company's strategy, most (48%) described theirs as one that is generally understood but not well defined which they use to guide their business decisions. 33%, on the other hand, believed that their well-defined company's strategy is guiding their business decisions, while the strategy for 13%, though well understood, is not always referenced for business decisions. Only 6% do not have an overarching strategy to guide their business decisions.

Strategic planning in most CEOs' companies is undertaken by themselves/CEOs, owners/investors/board of directors and departmental/functional leaders (marketing, sales, finance, human resource, etc.). While business unit leaders, select departmental/functional leaders and managers partake in such planning in many of the CEOs' companies, outside advisors/ facilitators and cross-functional work groups are engaged as strategic planners in some CEOs' organisations.

To evaluate the effectiveness of the company's strategy, most CEOs use financial indicators (e.g. EBITDA, ROI) and company KPIs. Employee survey/employee engagement survey and customer satisfaction feedback are also popular with many CEOs, while some use market share to gauge their effectiveness.

**IMPACT AND EXTENT OF THE US-CHINA TRADE WAR**

The protracted US-China trade war is generally not an issue for most CEOs. 66% said it has no impact on their businesses, while only 12% were impacted positively and 23% negatively. Of the positive responses, 6-in-10 of the CEOs rated the extent of the impact on their businesses as significant, while 82% of those who were impacted negatively rated theirs as moderate.

**THIRD NATIONAL CAR PROJECT**

Most CEOs do not think the third national car project will be beneficial to them, either on a personal or business level. Personally, slightly more than half (55%) of them do not think the proposed project will benefit them at all, while only about 10% responded favourably and the rest have no comment at this juncture. Business-wise, most (49%) do not see any benefit the project will have on them, but almost 16% responded positively.

**SALES AND SERVICES TAX (SST)**

In light of the sales and services tax (SST) that came into effect 1 September 2018, CEOs were asked if they have registered for it yet, to which 62% said they have and only 7% have not. The SST does not apply to the rest of the other CEOs.

Among those who have registered, most (39%) opined that the SST has impacted them moderately so far, while 27% were affected minimally and 12% substantially. No impact was reported by 21% of the CEOs.

**CORRUPTION AND SECURITY IN MALAYSIA**

Since the change of the new administration, based on CEOs' on-the-ground experience and their conversations with their family, friends and business associates, CEOs were asked of their opinion on the incidence of corruption and security in Malaysia over the past five months. Corruption was given the thumbs up, but not security. 73% of the CEOs opined that corruption has reduced so far, while 75% saw no change in security yet.

**REVIEW OF THE RETIREMENT AGE**

In view of the high number of retirees who do not have sufficient funds to see them through their twilight years, the government is looking to review the current retirement age.

A majority of 64% of the CEOs agree that the retirement age should be raised from the present 60, of which 69% opined that it should be raised to 65.

**REFLECTION ON VISTAGE'S MISSION**

Based on the latest CEOs' feedback, Vistage has accomplished much of its mission in increasing the effectiveness and enhancing the lives of CEOs and their key executives. Attesting to this was 91% of the CEOs who believe they have become better strategic thinkers since joining Vistage, while 89% said they have become more effective leaders (including family/social relationship). 87% are now better listeners to their people and family members, while 85% are able to empower their people further. Not only are 82% able to hold their people more accountable, 72% noted an improvement in their work life balance and 71% have also become better time managers now.

**INVESTMENT IN THE NEXT 6 MONTHS**

In the next six months, most (48%) CEOs are planning to park their money in fixed deposits/cash, while 42% and 31% are keen on equities and local real estate, respectively. 27% are planning to invest in unit trusts/mutual funds/private retirement scheme (PRS) and 10% are interested in foreign currencies. 7%-8% of the CEOs will likely invest in private equity, bonds and/or gold and/or silver, while 4%-6% are contemplating investment in foreign real estate, cryptocurrency and Fintech (ECF, P2P).

**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 advisor 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, 2.2 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 socio-economic issues of national, regional and global importance.