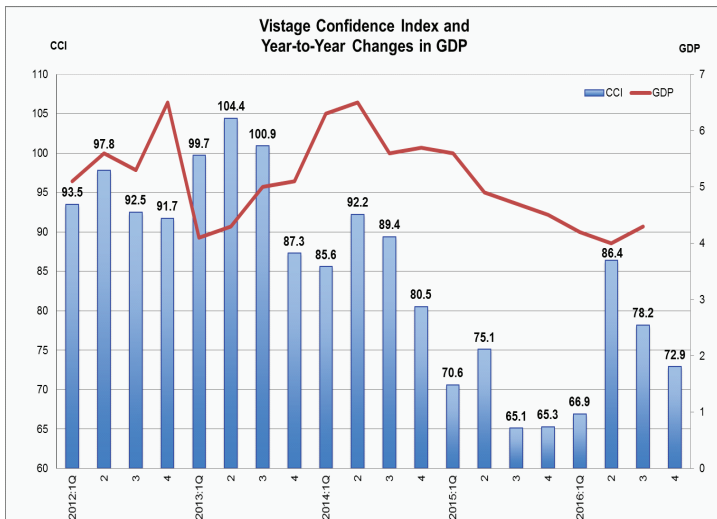


VISTAGE-MIER CEO Confidence Index

Surveying CEOs, Executives of small and mid-sized businesses since 2003

CONFIDENCE EBBS FURTHER

2016 has been a challenging year for CEOs as lackluster global growth and geo-political developments impacted and will continue to pose downside risks to the Malaysian economy and their firms. Reflecting this is the latest Vistage-MIER CEO Confidence Index which, at 72.9, lost 5.3 points quarter-on-quarter, its twelfth consecutive stay below the 100-point threshold level of confidence. The lack of faith amongst the CEOs looks likely to continue into early 2017 as well, as CEOs brace for a more cautious and pragmatic outlook for their firms going forward.



CEOs were unanimously more negative about the state of the economy lately. Falling for the second quarter in a row, the index for current economic conditions stood at 34 in 4Q2016. Almost 7-in-10 of the 533 CEOs surveyed opined that overall domestic economic conditions have worsened in 4Q2016, compared to 57% a quarter ago. Most of the CEOs also believed that the situation will likely persist in the coming months as well, with 56% being polled, up from 40% in 3Q2016. 9% are, however, hopeful that the economy will do better soon, down from the prior quarter's 12%.

CEOs are also adjusting the forecast of their firms in the near term lower in line with the economic slowdown. The index for expected revenue fell three points from 3Q2016 to 123 in 4Q2016, with 43% of the respondents projecting higher sales revenue soon, down from 45% a quarter ago. The expected profitability index shifted lower by four points from 3Q2016 to 107 in 4Q2016. While the proportion of those respondents anticipating higher profits this quarter have remained relatively steady from the previous quarter, those who foresee otherwise rose to 29% this time from 3Q2016's 24%.

The latest planned fixed investment index registered 111 points, little changed from the previous quarter's 112, indicating that fixed investment will likely remain sustainable in the next quarter or two. Near-term employment is also expected to remain stable, with 37% of the CEOs planning to increase their headcount in the months ahead, compared with 36% last quarter. Those contemplating on retrenching soon totaled 14% this time, a shade over the 13% polled a quarter ago.

MALAYSIA'S GLOBAL COMPETITIVENESS

According to the highly-rated World Economic Forum's (WEF) Global Competitiveness Report 2016-17, Malaysia's latest ranking tumbled seven positions to 25, out of 140 countries. To arrest any further decline in our global competitiveness, 63% of the CEOs were of the view that corruption and cronyism should be addressed, while 27% said that our country's economic model needs to be revised and reformed for sustainable competitiveness. 8% suggested increasing public-private sector collaboration and 3% called for an increase in the protection of human rights. Some CEOs also proposed increasing prudence in financial planning, use of the English language and productivity, including non-interference in the business sector from the government via government-linked companies.

DIGITAL ECONOMY

The digital economy is a part of the government's agenda and a major focus as it could potentially contribute about 20% of Malaysia's gross domestic product by 2020.

VISTAGE-MIER CEO Confidence Index Highlights

43% of CEOs forecasted an increase in revenues, down from 45% in 3Q2016.

36% of CEOs anticipated higher profits, compared to 35% in 3Q2016.

53% of CEOs believed that corruption and cronyism should be addressed.

66% and **42%** of CEOs are already going and planning to go digital soon, respectively.

40% of CEOs have a "Digital Champion" to lead their company's digital agenda.

77% of CEOs use one smartphone and **72%** use laptops.

88% of CEOs are supportive of DBKL's proposal for all high-risk outlets to install CCTVs as part of war against crime.

61% of CEOs agreed to the recent detariffication of motor and fire insurance.

41% of CEOs felt that EPF should maintain the current 30% in account two for housing purposes.

42% and **43%** of CEOs planned to increase staff salaries by 1%-5%, **39%** planned a bonus payout of >1-2months.

95% of CEOs have become more strategic thinkers since joining Vistage.

36% of CEOs planned to invest in fixed deposits/cash in the coming months.

	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016
VISTAGE-MIER CEO CONFIDENCE INDEX	65.1	65.3	66.9	86.4	78.2	72.9
COMPONENTS						
Current Economic Conditions	16	17	20	51	47	34
Expected Economic Conditions	36	40	35	89	72	53
Expected Change in Employment	121	117	120	132	123	123
Planned Fixed Investment	109	108	105	121	112	111
Expected Revenue Growth	114	117	122	138	126	123
Expected Profit Growth	96	95	104	122	111	107

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.

Most CEOs in this survey are found to be digital savvy, with 44% of them already going digital and 42% planning to go digital soon (within a year/1-2 years/after 2 years). Only 14% do not intend to go digital at all.

As digital transformation is uniquely challenging, touching every function and business unit, while demanding the rapid development of new skills and investment, 4-in-10 of the CEOs have a "Digital Champion" (nominated person responsible) to lead their company's digital agenda.

Of the digital devices frequently used by the CEOs, smartphones and laptops topped the list. 77% use one smartphone while 32% use more than one. Laptops, tablets and desktop computers are used by 72%, 42% and 28% of the respondents, respectively.

CCTVs FOR HIGH-RISK BUSINESS OUTLETS

Kuala Lumpur City Hall (DBKL) is trying to make it mandatory for all high-risk outlets (including entertainment outlets and those operating late night hours) to install closed-circuit television (CCTV) cameras outside their premises as part of the war against crime. CEOs are strongly supportive of this proposal, with 88% giving it the thumbs-up. Of the 12% who disagreed, 68% believe that security is the responsibility of the authority, while 29% do not think that the business sector should be burdened with such additional cost.

LIBERALIZATION OF MOTOR AND FIRE INSURANCE TARIFFS

The General Insurance of Malaysia (PIAM) recently announced the phased liberalization over the next three years of the tariffs for motor and fire insurance. With detariffication, consumers can expect differentiated premium rates according to individual risk profiles and a wider range of innovative insurance products. As consumers, 61% of the CEOs see this as a positive development, while 31% are neutral on this. Only 8% responded negatively.

EPF WITHDRAWAL FOR HOUSING

Given the current difficulties in obtaining housing loans from the banks, EPF is proposing raising the current 30% in contributors' account two to provide homebuyers more flexibility, particularly first-timers. 41% do not think this is a good move and preferred that the current 30% be maintained instead. 27% and 24% of the CEOs suggested an increase in the quantum to 50% and 40%, respectively. Only 4-5% proposed a hike to 35-45%.

SILVER ECONOMY

With the silver economy (senior generation) growing, the government was urged to formulate a legislation that emphasizes the rights and protection of the elderly, including a re-employment policy, elimination of age discrimination, ways to encourage them to return to work, without having them to sacrifice the family structure they have developed. Most CEOs are in favour of this legislation, with 85% saying they would support it and consider hiring retired workers.

CAUSES OF JOB DISSATISFACTION

Findings of a recent survey by JobStreet across seven countries show that Malaysia, Singapore and Hong Kong shared the same causes of job dissatisfaction (poor leadership/management, poor training, lack of career development/promotions). When posed the same question, most CEOs believed that these causes are "somewhat" identifiable in their organizations, suggesting that the causes of job dissatisfaction found in the JobStreet poll are also shared, but to a lesser extent, by the respondents of this survey. Those who positively identified these causes as prevalent in their organizations named the lack of a safe environment to voice their feedback as the main grouse, followed by poor training, lack of career development and poor leadership/management.

SALARY INCREMENT AND BONUS PAYOUT 2016

For financial year ending 31 December 2016, most (42-43%) CEOs are planning to increase their employees' salaries by 1-5% for all categories. 24-25% are considering hikes of >5-7%, and 4-6% are looking at increases of >10% for all levels of staff. 12% of the CEOs would likely adjust the salaries of their managerial staff higher by >7-10%, while 16% are contemplating the same quantum for their non-managerial staff.

There will be no salary adjustment for the staff of 18% and 11% of the CEOs, respectively, this time. In terms of bonus, 39% of the CEOs will likely reward their managerial employees with >1-2 months, and 42% may do the same for their non-managerial personnel. Managers and non-managers of 35% and 38% of the CEOs could expect bonuses of up to one month, respectively. 23% will likely grant their managers >2-4 months, while 17% are projecting likewise for their non-managers. All staff of a generous 1% of the CEOs could receive bonuses of >6 months this year.

REFLECTION ON VISTAGE'S MISSION

Reflecting on Vistage's mission of increasing the effectiveness and enhancing the lives of CEOs and their key executives, more than 9-in-10 of the CEOs believe that they have become more effective leaders, strategic thinkers and better listeners since joining Vistage. 84% noted an increase in the accountability of their people, while three-quarters of the CEOs saw an improvement in their work life balance and almost 7-in-10 have become better time managers today.

CEOs' WISHES VIS-A-VIS BUDGET 2017

Overall, some of the CEOs' wishes, which were listed in the 3Q2016 survey, were addressed in Budget 2017. Except for the call to reduce corporate tax that was granted in the new Budget, most of the other recommendations raised were either partially addressed or targeted at specific groups only. An example is the suggestion for the construction of more affordable homes within the RM200k-500k price range. Under Budget 2017, more than 30,000 houses will be built but the selling price will range between RM150k-RM300k, and targeted mainly for first homebuyers. Other proposals such as the call for an upgrade of public amenities with improvements in drainage to prevent floods have, as in past Budgets, continued to be included in Budget 2017. Wishes of CEOs that were not granted include, among others, a reduction in personal income tax, GST, electricity rates, toll charges, motor vehicle excise duties, mortgage rate and real property gains tax. Hopes for more assistance to be provided for senior citizens were also dashed.

INVESTMENT IN THE NEXT SIX MONTHS

In the next six months, almost half of CEOs prefer parking their money in fixed deposits/cash. 36% have local real estate in mind, while 34% will invest in equities, 25% in unit trusts/mutual funds, 11% in foreign real estate, 9% in gold and gold futures, and 8% in bonds. Other investments on CEOs' agendas include foreign exchange, factory acquisition, physical gold and silver, robotics fund and business expansion.

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 16 countries with more than 21,000 members worldwide.

Vistage Malaysia has more than 600 members with combined annual revenue of RM57 billion and employing over 90,000 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.