



Q2 2004 TEC Confidence Index - Malaysia

SURVEY RESULTS

Malaysian CEOs increased investments in the 2nd Quarter indicating increased confidence in the New Government and the economy

TEC CONFIDENCE INDEX REMAINS POSITIVE

The Q2 TEC Confidence Index for 2004 jumped 23.1% compared to the Q2 index a year ago. Although it is slightly lower compared to the first quarter this year, the increase in Q1 was the direct result of the BN Government gaining over 85% in the General Elections and regaining the Trengganu State.

Given the rapid pace of growth in the Malaysian economy, firms planned a higher increase in investment compared to the past year. To finance the planned growth in investment, firms plan to use their internal funds or funds from domestic financial institutions, which shows the abundance of money supply in the country. To speed up investments, Malaysian firms singled out corruption and the need to reduce bureaucratic red tape as top priorities for government action.

STRONG ECONOMIC EXPANSION

The Survey reveals that most of the firms expected the economy to expand from the 2nd quarter onwards till the end of the year. Nonetheless, firms anticipated a somewhat slower rate of growth during the coming quarters compared to the previous quarters. Overall, the proportion of firms that expected faster economic growth during the year fell from 83% in the 1st quarter to 59% in the 2nd quarter.

EMPLOYMENT GROWTH EASES

Over 50% of the firms surveyed planned to increase the number of their employees in both the 1st and 2nd quarters. However the 2nd quarter will see a slight fall compared to the first quarter due to the reduction of their domestic employees. Although staff cutbacks remained rare, the number of firms that planned to reduce staff rose to 11% in the 2nd quarter due to the competition from China, fluctuations in the US economy resulting from the uncertainty of events in Iraq, the volatile terrorist movements and the coming General Elections in the United States.

INVESTMENT PLANS REACH NEW HIGH

Plans to increase investment in new plant and equipment rose in the 2nd quarter 2004 survey, the highest level recorded during the past year. In the second Quarter 63% planned to increase their investment spending up from the 53% recorded in the previous quarter. This is a significant increase compared to 46% recorded a year ago. Only 5% of firms planned to decrease their investments particularly those in the business sector affected by the shift to China.

Expected Strong Revenue Growth: 75% of the firms expected higher revenues this year. Only 4% expected declines in revenues in the 2nd quarter – a significant change from the 17% who saw a decline in the 2nd quarter of 2003.

Profit Outlook Remains Robust. In the 2nd quarter 2004 survey, almost two-thirds of all firms expected higher profits this year. This was the same expectation since mid 2003. However about 10% of the firms affected by changes due to the shift of industry overseas expect a decline in profits.

Economic Trends

	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004
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TEC Confidence Index

TEC Confidence Index	100.0	121.7	128.4	127.8	123.1
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Components

Current Economic Conditions	100	141	162	161	157
Expected Economic Conditions	109	167	176	181	154
Expected Change Employment	147	145	151	151	138
Planned Fixed Investment	141	143	153	145	158
Expected Revenue Growth	179	170	171	180	171
Expected Profit Growth	157	154	157	149	153

ABOUT THE TEC CONFIDENCE INDEX

TEC-member businesses, companies with annual sales between \$1 million and \$1 billion, represent the bedrock of the nation's economy. In the U.S., the small-to mid-sized business sector creates 75 percent of all new jobs and generates 80 percent of revenue.

Reflecting the opinions of these CEOs, the TEC Confidence Index provides a clear snapshot of current economic, market, and industry trends and demonstrates their plans for growth over the next 12 months.

These insights provide a leading indicator for employment, capital expenditure, sales and revenue trends. Each quarter, TEC polls its membership in the United States, Canada, Malaysia, UK and Australia. On average, 1,000 of the 5,500 U.S. TEC members respond to the survey.

ABOUT TEC INTERNATIONAL & TEC ASIA

Founded in 1957, TEC International (www.teconline.com) provides business leaders with tools to outperform both the competition and their own goals. The comprehensive toolset includes peer-group sessions and one-on-one executive coaching for the sharing of best practices and opportunities to seek confidential help in critical situations.

TEC's professional development model also includes access to world-class business experts, and a global community of more than 9,000 members. TEC member companies have revenues between US\$1 million and US\$1 billion, and combined have a total of more than US\$280 billion in annual sales and more than 1.1 million employees. They outperform the Fortune 500, the S&P 500 and the 14 million companies in the ARC Analytics database. In addition, TEC member companies grow, on average, 2.5 times faster than they did prior to joining TEC.

TEC Asia Centre has the license from TEC International to offer TEC programmes and has offices in Kuala Lumpur (603-22842199), Penang (604-6426799) and Singapore (65-63398505).

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