



Q3 2004 TEC Confidence Index - Malaysia

SURVEY RESULTS

Malaysian CEOs expect to see continued revenue and profitability growth

TEC CONFIDENCE INDEX REMAINS POSITIVE

The TEC Confidence Index recorded its third consecutive small loss in the 3rd quarter of 2004. The overall level of confidence remains quite high as most business firms expect the Malaysian economy to remain strong in the year ahead. Following the rapid acceleration in economic growth during the past year, business firms increasingly expect the rate of GDP growth to slow somewhat during the year ahead. To be sure, the majority of business firms still expect their revenues and profits to continue to grow, and plan increases in their investments in new productive capacity and in the number of their employees. Firms simply do not expect a continuation of the rapid acceleration in GDP, which jumped to an 8.0% annual rate of growth in the 2nd quarter of 2004 from 4.6% one year ago, reaching the highest growth rate since the third quarter of 2000. Importantly, most Malaysian firms view as temporary the problems of higher energy prices and weaker demand from some trading partners. More significantly, the majority of firms believe that the current Ringgit peg will continue to support a vigorous expansion in export sales.

PACE OF POSITIVE ECONOMIC GROWTH EXPECTED TO ABATE

Firms are of the opinion that the pace of economic growth appears to have slowed down from the very rapid 2nd Quarter growth rate, and that this trend may persist in an otherwise still favourable economy. Few firms however expect the economy to actually worsen, and to be sure, 40% of CEOs polled expect economic conditions in Malaysia over the next 12 months to be improved, with 52% believing the favourable conditions will still remain intact.

INVESTMENT PLANS REMAIN ROBUST

Plans to increase expenditure in new plant and equipment were recorded from 58% of firms in the 2004 3rd Quarter survey, up from 50% revealed in last year's 3rd Quarter survey, while 36% of CEOs said their fixed investment spending would not be reduced and would continue to be maintained at past levels.

STRONG HIRING PLANS BEING PURSUED

Planned increases in employment were mentioned by 53% of all CEOs polled in the 2004 3rd Quarter survey, which is more than a tad higher than the 49% recorded in the prior quarter. Very few firms appeared to have any plans to scale back employment - this being expressed by only 1 in 20 firms polled in the current survey. The recruitment and retention of staff were stated as top concerns by CEOs, with the majority also citing both the importance of competitive salaries as well as clearly-defined career paths, as key employee concerns.

CONTINUED REVENUE GROWTH EXPECTED

3 in 4 firms polled in the 3rd Quarter survey expected higher revenues during the year ahead, nearly identical to the level recorded in the comparable 2003 period. More significantly, less than 1 in 10 firms expected declines in revenues during the 12 months ahead.

STRONG PROFIT OUTLOOK

Consonant with the expectations for revenue growth, nearly two-thirds of all CEOs surveyed, expected higher profits to be achieved during the year ahead. Interestingly enough, such a sanguine expectation of profits has remained largely unchanged since the 3rd Quarter of 2003. In fact, in the current survey, only 1 in 8 firms had expectations of any profit erosion over the next 12 months.

ATTRACTING INVESTMENTS AND OTHER CRITICAL NATIONAL ISSUES

A fair majority of CEOs continued to be of the opinion that a material reduction in bureaucratic red tape procedures (51% of CEOs polled), combined with more attractive tax incentives (45%), and greater consistency and permanency of policies and regulations (39%), would definitely help encourage more investments in Malaysia. On other critical matters that the nation ought to urgently address, a resounding 74% and 65% of CEOs expressed deep anxiety over the need to successfully combat chronic corruption, and, for effective measures to be in place to lower the increasingly alarming crime rate in the country, respectively.

VIEWS ON THE 2005 MALAYSIAN BUDGET

Asked what they would most like to see announced in the forthcoming 2005 Malaysian Budget, the interest appeared to centre, not surprisingly, mainly on tax concerns. 68% of CEOs polled expressed a desire to see a further reduction in the corporate tax rate, while 48% voiced a desire to see personal tax rate reductions, including the introduction of home mortgage and health benefits for all Malaysians.

Economic Trends	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004
TEC Confidence Index	100.0	121.7	128.4	127.8	123.1	114.6
Components						
Current Economic Conditions	100	141	162	161	157	121
Expected Economic Conditions	109	167	176	181	154	132
Expected Change Employment	147	145	151	151	138	148
Planned Fixed Investment	141	143	153	145	158	152
Expected Revenue Growth	179	170	171	180	171	164
Expected Profit Growth	157	154	157	149	153	149

ABOUT THE MALAYSIAN TEC CONFIDENCE INDEX

TEC Asia members comprise of businesses and companies with annual sales between RM5 million to RM1 billion. Today, it has more than 200 members in more than 65 different businesses. The opinions of these CEOs provide a clear snapshot of their current economic market as well as industry trends and their plans for growth over the next 12 months.

The TEC Index is a compilation of responses from these TEC CEOs, of whom 70% are small to medium sized companies and is the only comprehensive report of their opinions and projection. These insights provide a leading indicator for employment, capital expenditure, sales and revenue trends. Each quarter, TEC International polls its membership in Malaysia, United States, Canada, UK and Australia.

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 10,000 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 for ASEAN countries since 1994 and has offices in Kuala Lumpur (603-22842199) and Penang (604-6426799).

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