



Q4 2004 TEC Confidence Index - Malaysia

SURVEY RESULTS

Malaysian CEOs adopting a more cautious stance re plans for hiring and investment

TEC CONFIDENCE INDEX WEAKER BUT STILL POSITIVE

Although the overall level of confidence remained high, the TEC Malaysian Confidence Index has declined throughout 2004. In the 4th quarter of 2004 the Confidence Index fell to 111.9, down from 114.6 one quarter earlier and 128.4 one year ago. The largest declines were recorded by mid 2004, with only small additional losses in the current quarter. Since mid 2004, firms have expected slower but still positive GDP growth. The recently announced data indicate that GDP growth had fallen to 6.8% in the 3rd quarter, down from 8.0% in the second quarter of 2004. The latest TEC survey indicates that firms now expect the growth rate to further moderate in 2005 but continue at a healthy pace of economic growth. Firms expected domestic customers to be somewhat more cautious, and expect somewhat weaker export sales. In preparation for more sluggish growth, firms have slightly reduced their hiring plans as well as trimmed their planned investment expenditures. Although expected revenue growth has remained stable, Malaysian firms expected their profits to be somewhat weaker during the year ahead.

SLOWER ECONOMIC GROWTH EXPECTED

The slowdown in economic growth was increasingly reported by Malaysian firms in the past year. The proportion that thought economic conditions had improved fell to 30% in the 4th quarter survey, down from 36% one quarter ago and 65% one year ago. Firms were the least optimistic about future growth prospects in more than a year, with just 38% that expected the economy to improve in the 4th quarter, down from 40% in the prior quarter and 79% one year ago.

EMPLOYMENT GAINS MODERATE

Planned increases in employment were mentioned by 47% of all firms in the 4th quarter 2004 survey, down from 53% one quarter ago and 57% in the 4th quarter of 2003. Although wages and working conditions were critical elements to the successful retention of employees, their productive motivation was tied to their willingness to share the vision and goals of management.

INVESTMENT PLANS TRIMMED

Although the majority firms planned to increase their investments in new plant and equipment, their plans became somewhat more cautious in the recent survey. Overall, 58% reported plans to increase their investments, down from 62% one quarter ago and 63% two quarters ago.

REVENUE GROWTH EXPECTATIONS UNCHANGED

Three-in-four firms in the 4th quarter survey expected higher revenues during the year ahead, nearly identical to the level recorded in the comparable period in 2003. Despite increases in costs, sluggish growth in domestic and export demand has trimmed the ability of firms to raise prices.

PROFIT OUTLOOK WEAKENS

Although profit expectations remain robust, firms expect profit margins to moderate in the past year. In the 4th quarter 2004 survey, 59% of all firms expected higher profits, down from 68% one year ago. Firms were more likely to report that higher costs of energy and related factors would reduce profit margins than thought that they could pass those cost increases into higher prices.

INVESTMENT, CURRENCY AND OTHER KEY NATIONAL ISSUES

While a still large number (35% of all polled) of CEOs are happy to see the current US Dollar/Ringgit pegged rate maintained, an increasingly growing majority (48% of CEOs) are of the opinion that it is timely that the Ringgit should perhaps be re-pegged to reflect its true worth, currently viewed by them as somewhat undervalued.

On investing abroad, more firms (33% of those polled) are beginning to look towards India as a new area of business opportunity. China and the Indo-China basin of countries, and to a lesser extent, Indonesia and the Middle East, however remain areas of trade and investment opportunity to a good majority of CEOs.

There was overwhelming consensus (94% of CEOs polled) citing the present tendering system, for awarding infrastructural and like mega projects, as decidedly inadequate, and calling for a more effective and transparent tendering system, that should include public disclosure of the basis of awards, to be installed. CEOs were also strongly in favour of the suggestion that delinquent awardee contractors be barred from future projects, and/or heavily fined.

Economic Trends

	Q2 2003	Q3 2003	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004
TEC Confidence Index	100.0	121.7	128.4	127.8	123.1	114.6	111.9
Components							
Current Economic Conditions	100	141	162	161	157	121	113
Expected Economic Conditions	109	167	176	181	154	132	127
Expected Change Employment	147	145	151	151	138	148	141
Planned Fixed Investment	141	143	153	145	158	152	148
Expected Revenue Growth	179	170	171	180	171	164	171
Expected Profit Growth	157	154	157	149	153	149	146

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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