



Q1 2005 TEC Confidence Index - Malaysia

SURVEY RESULTS

TEC CONFIDENCE INDEX STABILIZED AT POSITIVE LEVEL

Following the sizable declines recorded during 2004, the TEC Malaysian Confidence Index started 2005 with the first quarterly increase since the close of 2003. In the 1st quarter of 2005 the Confidence Index rose to 112.7, up from 111.9 in the 3rd quarter, although still well below the year ago level of 127.8. The large losses in early 2004 gave a clear signal that GDP growth would slow, which has now been confirmed. The recent announcement put the GDP growth at 5.6% for the 4th quarter, down from 6.7% in the 3rd quarter, and well below the average of 7.1% for 2004 as a whole. The latest TEC survey data indicate that business firms think that the worst is now over, with only modest additional slowing in the pace of growth anticipated during 2005. Firms are still quite optimistic about their future economic prospects, with the majority of firms planning to increase their investment expenditures to enhance their productive capacity and the majority anticipate increasing the total number of employees. Malaysian firms expect continued revenue growth and the majority of firms expect higher profits during 2005. Half of all firms reported that they thought that the Ringgit should be re-pegged to about RM3.20 to RM3.50 to a U.S. dollar.

ECONOMY EXPECTED TO STABILIZE

Malaysian firms in the 1st quarter survey judged the current state of the economy less favorably than anytime since early 2003. Importantly, 57% of all firms anticipate that the pace of economic growth will remain largely unchanged during the year ahead. Among the other half, firms were more likely to expect the economy to improve rather than worsen by a two-to-one margin.

GREATER EMPLOYMENT GAINS EXPECTED

Planned increases in employment were mentioned by 57% of all firms in the 1st quarter 2005 survey, up from 47% one quarter ago and the highest level recorded since the closing quarter of 2003. The retention of employees was linked to an environment of mutual respect, aligning corporate and personal goals, and compensation plans that are based on work performance.

INVESTMENT GAINS CITED BY MAJORITY

Planned increases in expenditures for new plant and equipment were reported by 57% of all Malaysian firms in the 1st quarter, just above the 54% recorded one quarter ago and the 53% recorded one year ago. Importantly, Malaysian firms reported interest in a proposed new development bank, especially if it could provide a quicker loan approval process and lower fees.

REVENUES EXPECTED TO GROW

Among all firms, 79% expected higher revenues during the year ahead in the 1st quarter survey, between the 76% recorded one quarter ago and the three-year high of 83% set one year ago. Despite the slowdown in the overall economy, just 4% expect revenues to decline in 2005.

PROFIT OUTLOOK STRENGTHENS

Profits were expected to rise by 65% of all firms in the 1st quarter 2005 survey, up from 59% in the prior quarter, reaching the highest level in more than a year. This optimistic outlook for profits was recorded despite the fact six-in-ten firms cited increasing costs for raw materials, half of all firms reported rising costs of energy and fuels, and one-third mentioned rising costs of freight.

SELECTIVE OFFSHORE BUSINESS INVOLVEMENT

Despite continued global interest in having a business presence in China and/or India, a large 72% and 78% of Malaysian CEOs polled, revealed that they had yet to have any business activity undertaken in these two business arenas respectively. Interestingly enough however, 40% to 53% of these businessmen surveyed responded to say they viewed the Middle East, Vietnam/Cambodia/ Myanmar, and Indonesia, as viable areas of future business opportunity.

SIGNIFICANT STEPS TAKEN TO ADDRESS SOCIO-ECONOMIC CONCERNS

On the socio-economic front, a huge majority (83%) of CEOs perceived that compared to a year ago, there had been significant efforts undertaken in the campaign against corruption; however this did not necessarily conclude, one way or the other, that these efforts had been effective or successful.

REDUCED REQUIREMENT FOR FOREIGN WORKERS

On the currently very topical issue of foreign worker assistance, it was enlightening to learn that 55% of Malaysian CEOs polled, contended that they were not in need of foreign workers, although there was simultaneously a relatively significant 25% of CEOs who did state they, in fact, needed a higher level of foreign worker help, compared to 12 months ago.

Economic Trends	Q4 2003	Q1 2004	Q2 2004	Q3 2004	Q4 2004	Q1 2005
TEC Confidence Index	128.4	127.8	123.1	114.6	111.9	112.7
Components						
Current Economic Conditions	162	161	157	121	113	104
Expected Economic Conditions	176	181	154	132	127	115
Expected Change Employment	151	151	138	148	141	151
Planned Fixed Investment	153	145	158	152	148	152
Expected Revenue Growth	171	180	171	164	171	175
Expected Profit Growth	157	149	153	149	146	155

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).

TEC ASIA CENTRE SDN BHD

Suite B-19-2, Wisma Pantai, No. 5 Jalan 4/83A, Off Jalan Pantai Baru, 59200 Kuala Lumpur
Tel: (03) 2284 2126/27/76/79/99 ■ Fax: (03) 2284 2100 or 2139 ■ Email: tec@tecasia.com.my