



# Q1 2009 VISTAGE-MIER CEO CONFIDENCE INDEX

(formerly known as TEC-MIER CEO CONFIDENCE INDEX)

**VISTAGE**<sup>®</sup>  
better leaders • decisions • results

## CEO CONFIDENCE INDEX SLIPS LOWER

The 1Q09 Vistage-MIER CEO Confidence Index slipped 4.7 points quarter-on-quarter to register another new historical low of 47.6 points. On a year-on-year basis, it is lower by 43.9 points. The Index has been trending downwards ever since it first sank below the 100-point threshold in 4Q07.

The latest CEO Confidence survey results are in line with what other indicators are saying – that is, there are tougher times ahead. The Industrial Production Index, for example, fell 9.0% year-on-year in 4Q08. And in the same period, Malaysia's total trade fell 9.7% year-on-year, with exports falling 7.5% and imports falling 12.3%. While the fall in exports is expected and is a sign of weak external demand, the fall in imports puts the strength of domestic demand in question.

Not surprisingly, Malaysia's Leading Index, a forward gauge of the economy, declined 2.5% last November following a decline of 2.7% in October. The Coincident Index, a measure of the current state of the economy, also declined 3.3% in November as compared to a decline of 1% in the previous month.

There now seems to be a greater sense of urgency in the government's efforts to prevent a recession in 2009, and everyone's hoping that the monetary and fiscal loosening can provide the needed boost to domestic demand. It will not be a moment too soon because the outlook for many companies, especially SMEs, is getting bleaker by the day.

## BOTH CURRENT AND EXPECTED ECONOMIC CONDITION WORSEN

The 1Q09 current economic condition component index declined year-on-year and quarter-on-quarter by 61 points and 4 points, respectively. Most survey respondents (85%) believe that the current economic condition worsened as compared to a year ago, while less than 1% believed that it has improved. The expected economic condition component index also declined on a year-on-year basis, losing a significant 44 points, though it was up 5 points on a quarter-on-quarter basis.

## LOWER SALES REVENUE AND PROFIT GROWTH EXPECTED

Just like in the previous quarter, both the expected revenue growth and expected profit growth component indexes declined further in 1Q09. On a year-on-year basis, both component indexes declined significantly (69 points and 53 points, respectively), while on a quarter-on-quarter basis, the loss was 4 points each.

## LOWER EXPECTED CAPITAL SPENDING AND HIRINGS

Survey results indicate that CEOs expect capital spending and hirings over the next 12 months to be lower, as both component indexes extended their year-on-year and quarter-on-quarter declines in 1Q09. Of the respondents indicating that they expect their firm's total number of employees to decrease over the next 12 months, about half indicated that the decrease would be via attrition, while the other half, which makes up about 14% of the total number of CEOs responding to this survey, indicated planned layoffs.

	Q4 2007	Q1 2008	Q2 2008	Q3 2008	Q4 2008	Q1 2009
VISTAGE-MIER CEO CONFIDENCE INDEX	95.8	91.5	82.9	64.2	52.3	47.6
<b>COMPONENTS</b>						
Current Economic Conditions	85	76	54	18	19	15
Expected Economic Conditions	78	63	48	33	14	19
Expected Change Employment	140	136	133	115	100	87
Planned Fixed Investment	136	133	126	109	92	77
Expected Revenue Growth	160	157	145	122	92	88
Expected Profit Growth	127	127	121	88	78	74

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.

## SALARY ADJUSTMENTS IN 2009

More than half of survey respondents (51%) reported that they have budgeted for overall salaries to be frozen in 2009, while 40% reported budgeting for an increase and a tiny minority (9%) a decrease. As an interesting aside, here's how some companies operating in the Asia-Pacific region plan to reduce their compensation costs in 2009: according to Hewitt Associates, a global human resources consulting company, 6% have plans to freeze salaries, 58% to cut increases in salaries, 4% to cut salaries of executives, and 2% to cut salaries of all employees.

## IMPACT OF OIL PRICES

On the assumption that oil prices stabilize around US\$42 per barrel, nearly three quarters of respondents (74%) indicated that the situation would be manageable, while 22% indicated that the impact on their businesses would be positive. Only a small minority (4%) indicated that the impact would be adverse.

## IMPACT OF THE GLOBAL ECONOMIC CRISIS

Overall, 64% of CEOs indicated that the global economic crisis affected their businesses negatively in the last quarter, as compared to 8% who indicated a positive impact, and 28% no impact whatsoever. A breakdown of the responses indicate that the badly hit sub-sectors, i.e. where more than two thirds of the respondents cited negative impact, are: i) real estate (100%); ii) ICT – electronics (86%); iii) energy and natural resources (80%); iv) agriculture & fisheries (75%); v) building & construction (74%); vi) consumer market – food and drinks manufacturing (69%); and vii) other consumer products (67%).

## SOCIAL PROJECTS IN THE ECONOMIC STIMULUS PACKAGE

Nearly a third of respondents (32%) believe that the RM7 billion economic stimulus package would be better served if more allocations are made to meaningful social projects. Suggested social projects include projects that: i) subsidize fishermen; ii) create more employment opportunities for the lower income group; and iii) help preserve our national heritage.



# Q1 2009 VISTAGE-MIER CEO CONFIDENCE INDEX

(formerly known as TEC-MIER CEO CONFIDENCE INDEX)

**VISTAGE**<sup>®</sup>  
better leaders • decisions • results

## BANK CREDIT FACILITIES

There have been reports of Malaysian banks, cautious because of the global slowdown, pulling back some of their corporate credit lines. The situation could get worse, especially for SMEs. When asked about what their recent experiences were like with regard to bank credit facilities, 56% of the 149 who responded to this question indicated that they managed to obtain more credit facilities, though some of the very same people might also have had their facilities partially or fully recalled by their other bankers (26%), and/or application to other banks for facilities rejected (26%).

## MALAYSIA'S STRUCTURAL GROWTH ISSUES

In a recent report, investment house JP Morgan stated that Malaysia suffers from "structural growth issues relating to the country's long-term competitiveness in attracting foreign direct investments". Most CEOs (94%) agree. They also think that the following issues need to be addressed if Malaysia is to attract more FDI: i) corruption (63%); ii) bureaucratic red tape (55%); iii) political uncertainties (49%); iv) onerous investment guidelines (27%); and v) difficulties in obtaining work permits (7%). On the subject of corruption, only a tiny minority (3%) thinks that the Malaysian Anti-Corruption Commission (MACC) will be highly effective.

## AN ENHANCED WORK-LIFE BALANCE

The TEC/Vistage model encourages good work-life balance. In this survey, respondents were asked to rate themselves, before and after joining TEC/Vistage, on a 10-point scale, where '10' indicates 'excellent'. The results indicate that a huge majority (86%) improved their work-life balance after joining TEC/Vistage. A breakdown of the results show that 62% improved their work-life balance by 1-2 points, 20% by 3-4 points, and 4% by 5-7 points.

## PERSONAL WEALTH

The 3 most popular investment plans over the next 6 months are fixed deposits/cash (48%), real estate (39%), and shares on Bursa Malaysia (34%). It is interesting to note that under 'others', some CEOs indicated that they plan to invest in their firm's research and development.

## ABOUT THE VISTAGE-MIER CEO CONFIDENCE INDEX

Vistage Malaysia has been conducting the Confidence Index since 2nd quarter 2003. Effective 4th quarter 2005, Vistage Malaysia entered into a strategic alliance with the Malaysian Institute of Economic Research (MIER) to co-brand the Confidence Index under a joint effort known as the VISTAGE-MIER CEO Confidence Index.

Vistage Malaysia's membership comprises businesses and companies with annual sales between RM5 million to RM1 billion. Today, it has more than 280 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 VISTAGE-MIER Index is a compilation of responses from these Vistage Malaysia 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, Vistage International polls its membership in Malaysia, United States, Canada, United Kingdom and Australia.

## ABOUT VISTAGE INTERNATIONAL, VISTAGE MALAYSIA AND MIER

Founded in 1957, Vistage International ([www.vistage.com](http://www.vistage.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.

Vistage's professional development model also includes access to world-class business experts, and a global community of more than 14,000 members. Vistage member companies have revenues between US\$1 million and US\$1 billion, and combined have a total of more than US\$300 billion in annual sales and more than 3.1 million employees. They outperform the Fortune 500, the S&P 500 and the 14 million companies in the ARC Analytics database. In addition, Vistage member companies grow, on average, 2.5 times faster than they did prior to joining Vistage.

Vistage Malaysia has offices in Kuala Lumpur (603-22842199), Penang (604-6426799), Kota Kinabalu (088-262852) and Singapore (65-63398505).

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 the private sector. It is committed to serve the government and private sectors as well as the public at large by providing an objective and impartial understanding of socio-economic issues of national, regional and global importance.



**VISTAGE**<sup>®</sup>  
better leaders • decisions • results



Vistage Malaysia Sdn. Bhd.

(296405-U - formerly known as TEC Asia Centre Sdn. Bhd.)

Suite B-19-2, Wisma Pantai, No. 5 Jalan 4/83A, Off Jalan Pantai Baru, 59200 Kuala Lumpur, Malaysia.

Tel: 603 - 2284 2126/27 & 2284 2176/79 • Fax: 603 - 2284 2100/39 • Email: [info@vistage.com.my](mailto:info@vistage.com.my) • Website: [www.vistage.com.my](http://www.vistage.com.my)