VISTAGE

CEO CONFIDENCE INDEX SURVEY

Q2 2025

Response Rate: 91% (1219 responses / 1336 members)

Margin of error: 3.7%

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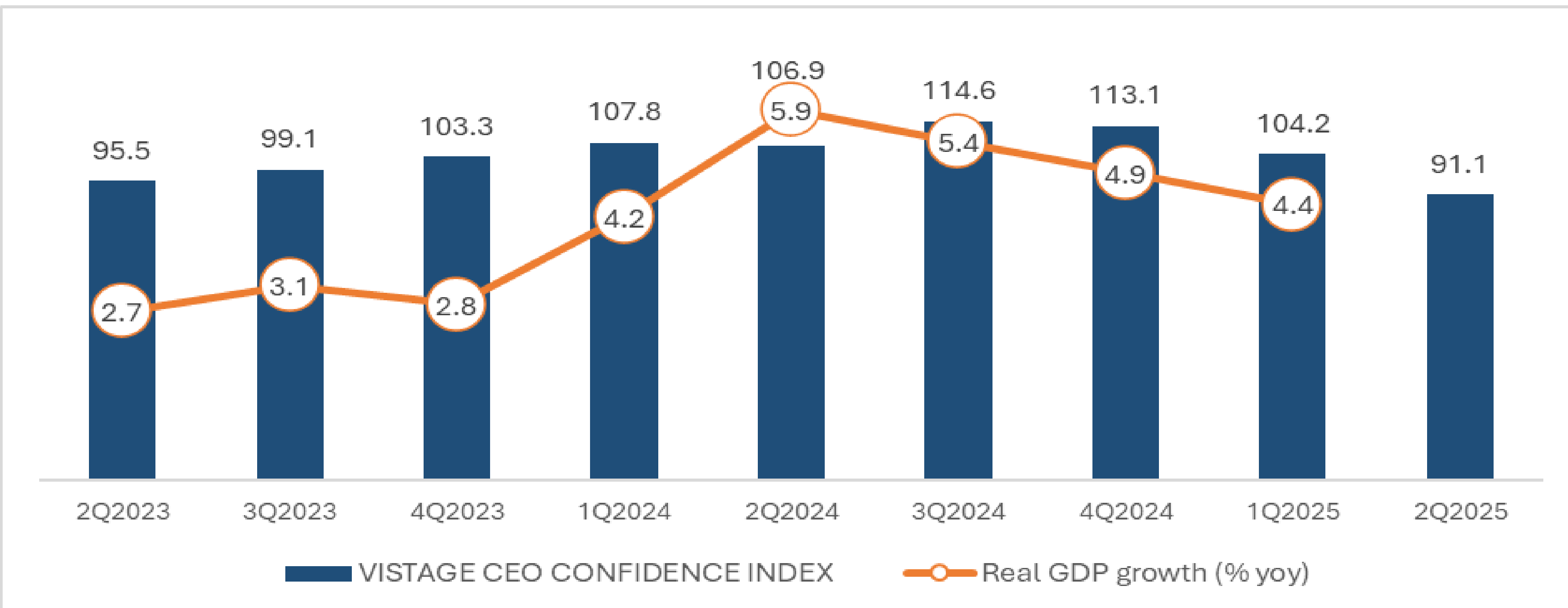
Highlights

SHARP DECLINE IN CONFIDENCE AMID TARIFF UNCERTAINTIES

The Vistage CEO Confidence Index plummeted to 91.1 in 2Q2025, down sharply from 104.2 in the previous quarter. This 13.1-point decline marks the largest quarterly percentage drop since 3Q2021 and reflects growing economic uncertainty among business leaders.

The sharp fall is not surprising given the spike in global uncertainties caused by US President Trump's unilateral tariff hikes on trading partners announced on 2 April and subsequent 90 days extension for negotiations that prevailed through the second quarter. A 10% baseline tariff and a reciprocal tariff of 24% was imposed on US imports from Malaysia. At the time this survey was conducted, negotiations between Malaysia and the US were still ongoing. The decline in the CEO Confidence Index is consistent with the downtrend in real GDP growth with the index below 100 broadly indicating weak growth (Figure 1).

Figure 1. Vistage CEOs Confidence Index and Quarterly GDP Growth (% yoy)



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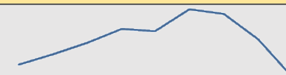
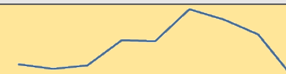
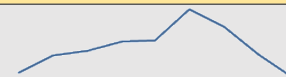
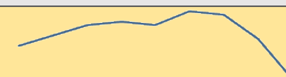
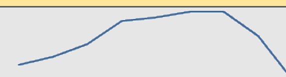
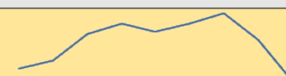
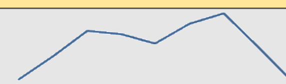
Key Components

In the 2Q2025 survey Vistage CEOs were less sanguine across all index components with expectations dipping the most for current business conditions (-25 points) followed by future economic conditions (-17 points), revenue growth (-16 points), planned fixed investment (-15 points), profit growth (-14 points) and employment (-12 points).

	2Q 2023	3Q 2023	4Q 2023	1Q 2024	2Q 2024	3Q 2024	4Q 2024	1Q 2025	2Q 2025	Trend
VISTAGE CEO CONFIDENCE INDEX	95.5	99.1	103.3	107.8	106.9	114.6	113.0	104.2	91.1	
Current Economic Conditions	90	87	89	104	103	122	116	107	82	
Expected Economic Conditions	102	114	117	124	125	147	135	115	98	
Expected Change in Employment	139	142	145	146	145	149	148	141	129	
Planned Fixed Investment	128	131	135	143	144	146	146	138	123	
Expected Revenue Growth	141	144	154	158	155	158	162	152	136	
Expected Profit Growth	122	131	141	140	136	144	148	135	121	

While CEOs' pessimism has risen in 2Q2025, the level from which confidence has slipped varies by component as shown in Figure 2. The proportion of CEOs expecting improvement in current economic conditions decreased from 28% in 1Q2025 to 19% in 2Q2025 while the proportion of CEOs expecting a worsening of current economic conditions rose from 21% to 37% in the corresponding period.

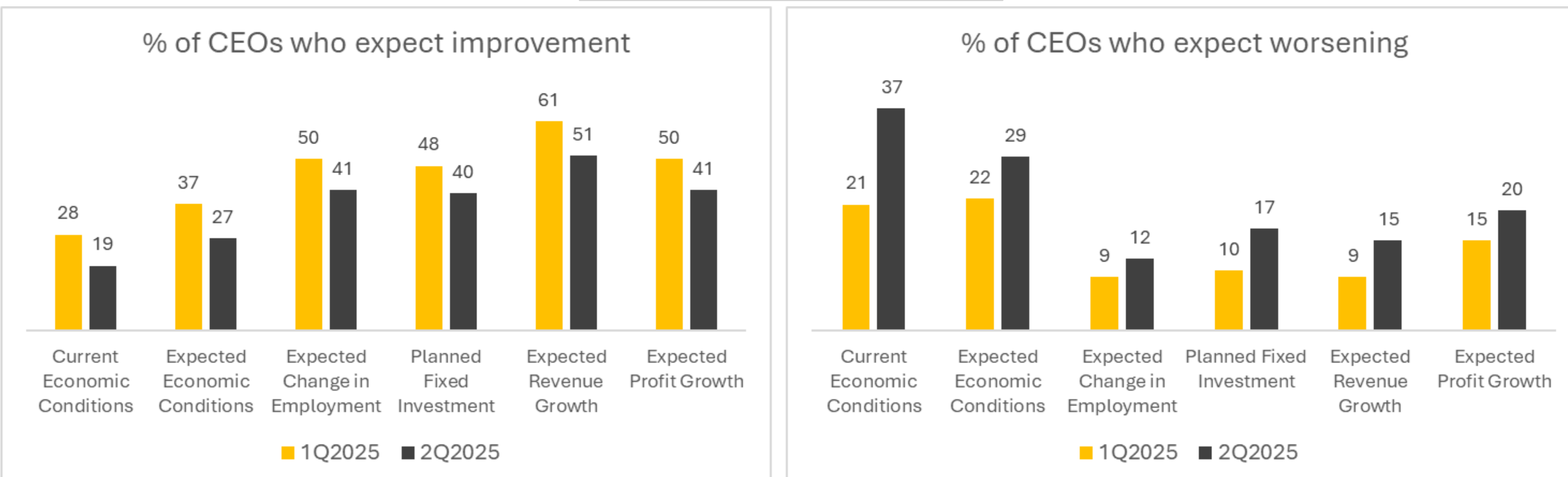
Despite weakening sentiments, more than 40% of the CEOs still expect improvements in employment, fixed investment, revenue and profit growth in 2Q2025. This reflects the varying business cycles and prospects for different types of businesses and industries as well as their exposure to changing regional and global market trends and dynamics.

Orders and Selling Prices

Order books and selling prices are among CEOs' primary concerns, as they directly determine revenue streams, profitability, and overall market competitiveness. The proportion of CEOs anticipating an increase in local orders dropped to 43% in 2Q2025 from 52% in the previous quarter. A similar drop to 42% from 52% is observed for foreign orders, Meanwhile, the proportion of CEOs expecting status quo edged up from 37% in 1Q2025 for both local and foreign orders to 43% and 44% respectively in 2Q2025 (Figure 3). Overall, the order book indicator remains firm with only 14% of the CEOs foreseeing decline in both local and foreign orders, up slightly from 11% in the previous quarter.

Consistent with the CEOs' increased pessimism of current and expected business conditions, the proportion of CEOs anticipating price increases dropped from 39% in 1Q2025 to 31% in 2Q2025 while those expecting unchanged prices increased from 53% to 58% over the same two quarters. Correspondingly, the share of CEOs expecting prices to fall rose from 8% to 11%. These changes in expectations point to easing price pressures amid moderating demand as reflected in weaker order outlook.

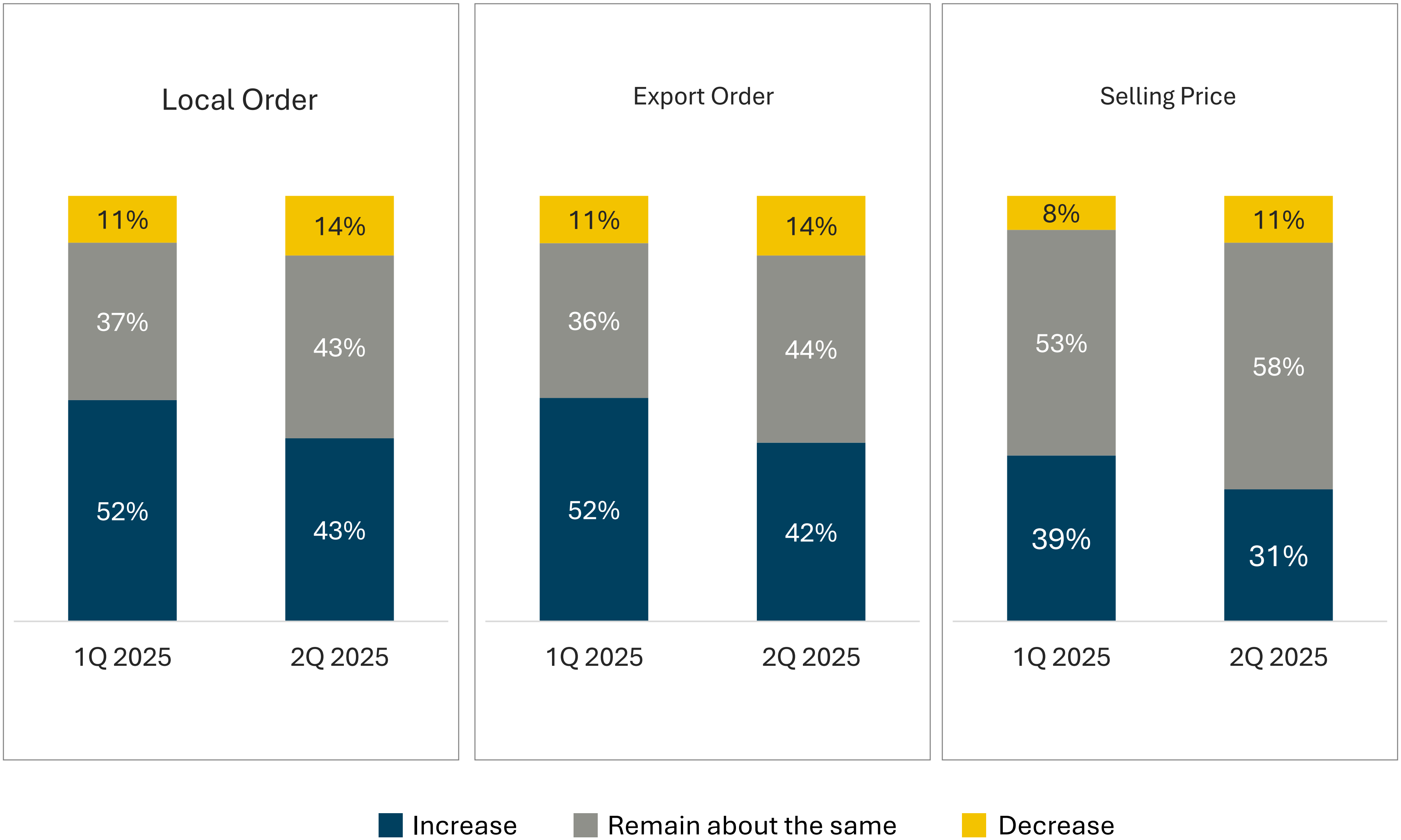
Figure 2. Changes in CEOs' Expectations



VISTAGE CEO Confidence Index

Orders and Selling Prices

Figure 3. Orders and Selling Prices



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Coping with Tariff Wars and Supply Chain Disruptions

With tariff negotiations ongoing amid heightened anxieties over Trump's trade and economic policies, Vistage CEOs were polled on the impact of supply chain disruption and realignment on their businesses. The survey results show nearly 70% of the CEOs expect either low (34%) or no (35%) impact as they are not applicable to their businesses. Only 3% of the CEOs foresee high impact while 28% expect to be moderately impacted (Figure 4).

On mitigation strategies, 57% cited prospects for collaboration with Chinese suppliers, 49% will diversify suppliers, 12% will reduce dependence on Chinese suppliers while 11% will increase stockpile (Figure 5).

In addition to the above strategies, specific firm-level responses mentioned by the CEOs include self-manufacturing and localized production to reduce reliance on imports. A few are seeking alternative US entry ports to bypass disruptions and renegotiate with clients to maintain margins. Besides trading in Renminbi to reduce US exchange rate volatility risks, tightening credit terms and adopting more cautious business approaches were also mentioned. Other specific corporate measures cited by the CEOs include focusing on sustainable competitive advantages by strengthening service quality and customer relationships as well as boosting R&D and performance management for long-term resilience.

Figure 4. Impact of Tariff-related Supply Chain Disruption and Realignment

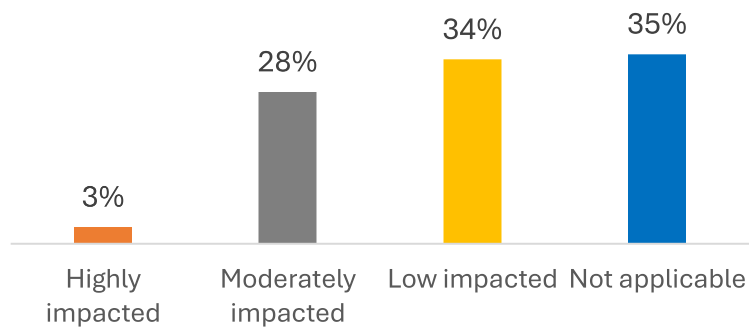
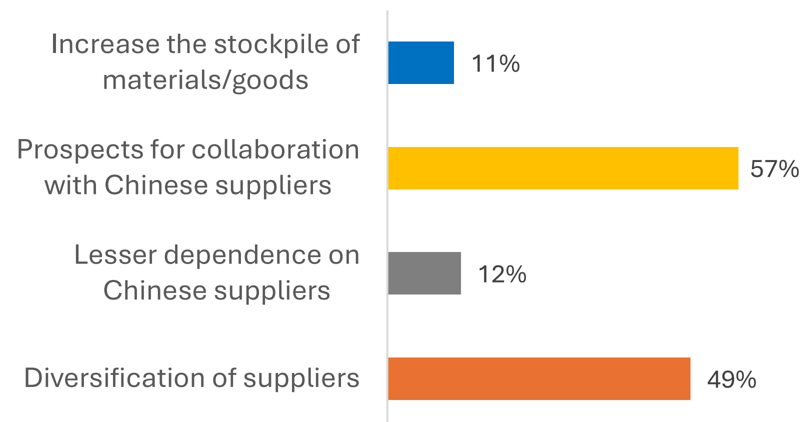


Figure 5. Mitigation Measures taken to counter Tariff-related Supply Chain Management Disruptions



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Impact of Trade Diversion due to US-China Trade Conflict

Amid escalating US-China trade and technology tensions, Vistage CEOs were surveyed on the broader implications for their businesses, with particular focus on the potential diversion of China's US-bound exports to other markets—including Malaysia. The findings reveal a cautiously optimistic outlook whereby 40% of CEOs perceive greater opportunities than threats, while 36% anticipate more risks than benefits. Meanwhile, nearly one-fifth (23%) foresee minimal or neutral impact.

A key concern is the potential influx of low-priced Chinese goods into the Malaysian market, which could have mixed implications for local businesses. Survey responses revealed a divided outlook: 33% of CEOs foresaw adverse effects (27% negative, 6% strongly negative), while a majority (58%) anticipated neutral repercussions. Only 9% viewed the availability of low-priced Chinese products as beneficial.

Figure 6. Potential Impact of a Redirection of China's Exports from the US to Malaysia

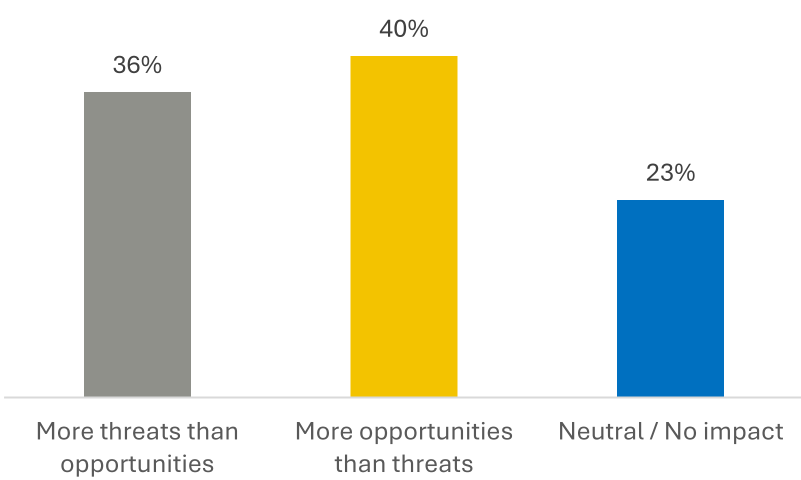
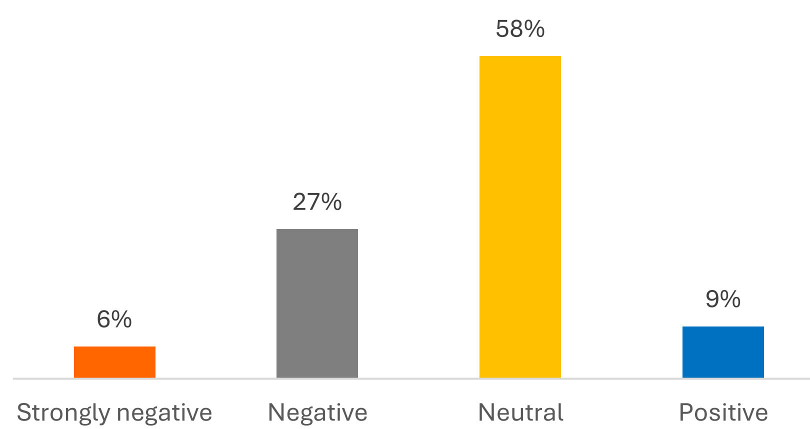


Figure 7. Impact of Low-priced Chinese Products



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Trade Diversification and Currency Exposure

As an open economy with total trade (exports and imports) accounting for 132% of GDP in 2024, a key strategy at the national and corporate level is to reduce dependency on any particular market or country. Given the importance of geographical market diversification, Vistage CEOs were asked about their export markets and import sources as well as the currency the trade is denominated.

The proportion of respondents that reported more than 30% of their company exports directed to the US market sums up to 8%. This pattern similarly observed for EU (4%), China (4%) and Japan (2%) while that for ASEAN is higher at 24%, suggesting that more firms have greater dependence on ASEAN markets. Around 40% of respondents reported less than 10% of company exports to each major market (Table 2 and Figure 6).

The US Dollar remains the dominant currency of trade, being used for exports to other markets although the destination country's currency is also utilized. Interestingly, the Renminbi is also used to transact exports to the US, EU and Japan but not exports to ASEAN markets where a sizeable 18% of the CEOs reported using Japanese Yen currency.

Table 2. Frequency Distribution of CEOs reporting EXPORT SHARE by Key Markets and Currencies used

A. Export markets						
	Share of company's exports					
Market	< 10%	10 - 20%	> 20 - 30%	> 30 - 40%	> 40 - 50%	> 50%
US	43%	6%	2%	3%	1%	4%
EU	40%	6%	2%	1%	1%	2%
China	40%	5%	3%	2%	1%	1%
Japan	39%	3%	1%	0%	0%	1%
ASEAN	41%	14%	9%	5%	3%	15%

B. Currencies used in exporting					
Market	USD	Euro	Renminbi	Japanese Yen	Ringgit
US	36%	0%	4%		
EU	20%	11%	3%		
China	20%	0%	9%	0%	4%
Japan	19%	0%	4%	2%	
ASEAN	48%	0%	0%	18%	

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Trade Diversification and Currency Exposure

Between 22% to 30% of the respondents reported import shares of less than 10% from the major source countries. A relatively high 23% mentioned that imports from China accounted for more than 50% of their total imports (Table 3). On import dependency, 6% of the CEOs reported import shares greater than 30% for imports from the US and 4% from the EU, but a relatively high 37% for imports from China and 13% from ASEAN countries (Figure 7).

Similar to exports, the US currency is widely used for imports from all the key source markets. Mirroring the currencies used for exporting, 29% of respondents reported using the US Dollar and 3% used Renminbi for imports from the US.

Table 3. Frequency distribution of CEOs reporting IMPORT SHARE by Key Markets & Currencies used

A. Source countries of imports						
	Share of company's imports					
Market	< 10%	10 - 20%	> 20 - 30%	> 30 - 40%	> 40 - 50%	> 50%
US	30%	5%	5%	2%	2%	3%
EU	29%	8%	2%	2%	1%	2%
China	22%	13%	11%	8%	6%	23%
Japan	29%	2%	2%	1%	0%	1%
ASEAN	26%	9%	4%	4%	2%	6%

B. Currencies used in importing					
Market	USD	Euro	Renminbi	Japanese Yen	Ringgit
US	29%	0%	3%	-	-
EU	13%	15%	2%	-	-
China	31%	0%	26%	5%	-
Japan	12%	0%	7%	2%	-
ASEAN	27%	0%	0%	8%	-

The overall pattern of trade based on the CEOs' feedback suggests that a small number are critically dependent on selected markets but the majority have exposures that are considered reasonable (below 30% as an arbitrary rule of thumb) from a geographical risk diversification perspective.

Trade Diversification and Currency Exposure

Figure 8. Frequency Distribution of CEOs reporting EXPORT SHARE by Key Markets

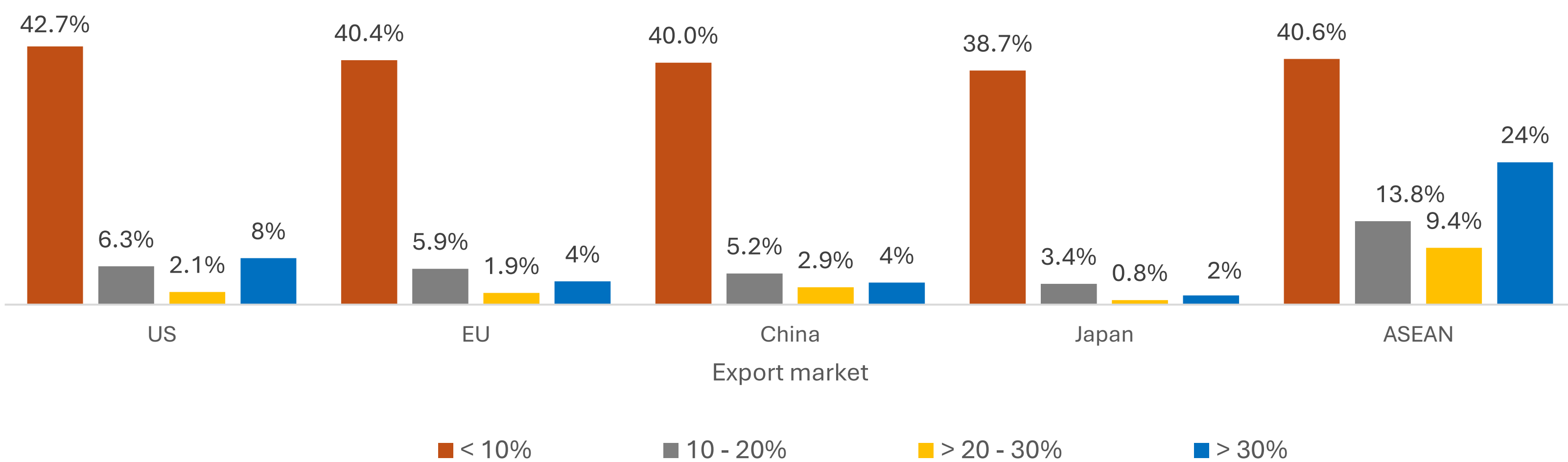
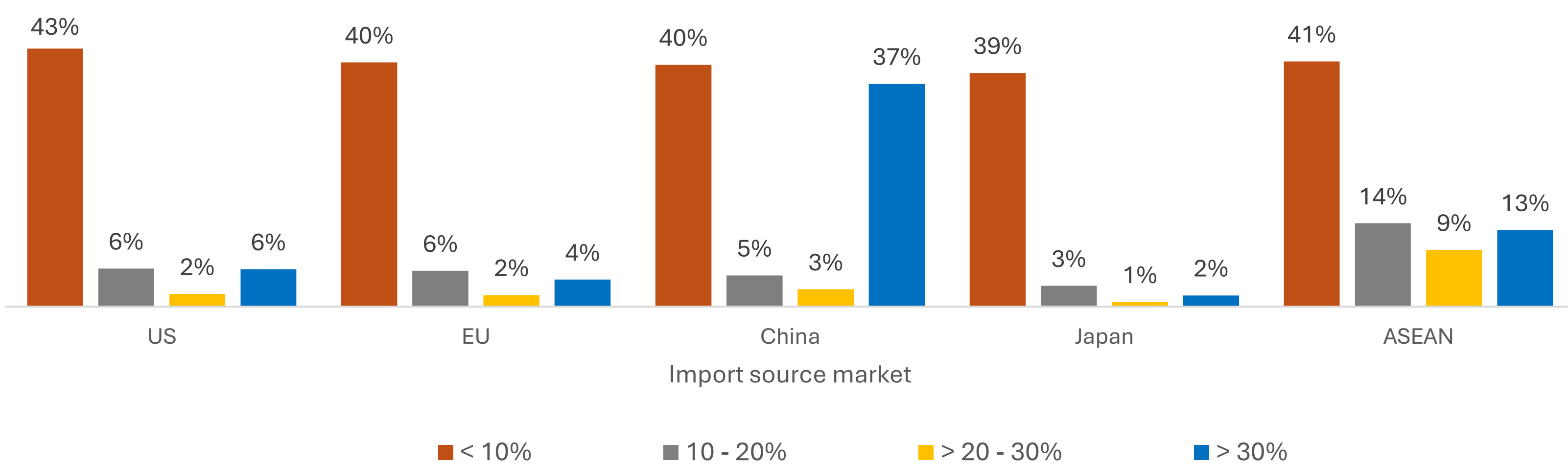


Figure 9. Frequency Distribution of CEOs reporting IMPORT SHARE by Key Markets



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Focus on ASEAN

With Malaysia as the current chair of ASEAN, Vistage CEOs were asked about their focus on ASEAN markets to offset potential reduction in US market access and slowdown risks in the US and Chinese economies. Slightly more than half (56%) of the CEOs affirmed their focus on ASEAN with 62% intending to explore potential investments and joint ventures, 58% to expand market promotion efforts, 32% to participate in trade missions and to use government incentives to promote exports and overseas investment.

Figure 10. Focus on ASEAN and Market Strategies

For those that responded in the negative, the reasons cited by the CEOs include local market focus, challenges in ASEAN market expansion, limited export activity and sector-specific trends. Reasons cited for the focus on local market include limited resources (manpower, capital and expertise), business model constraints such as franchise/distributor rights only for Malaysia, regulatory barriers particularly in pharmaceuticals and import/export restrictions, and market suitability as their products or services are tailored for local demand.

On challenges in ASEAN market expansion, the factors mentioned are price-sensitive ASEAN markets that render exports from Malaysia uncompetitive. They also face competitive-priced Chinese goods flooding the region. The other factor cited is high operational costs (wages, logistics, compliance) in ASEAN countries such as Cambodia as well as in Malaysia. Other structural barriers impeding expansion to ASEAN include fragmented regulations, cultural differences across ASEAN and connectivity and infrastructure.

Some businesses have no export plans or limited export activity as they serve customers who export while a few target niche markets such as Middle East and Europe but avoid ASEAN due to low margins or lack of competitive advantage such as uncompetitive pricing and reliance on China for supplies. A few are exploring Australia and Middle East as alternatives to ASEAN and non-tariff markets. While some viewed ASEAN as a high-risk market due to factors such as payment delays and political instability, a few expressed “stronger alliances” by partnering with competitors.

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AI Adoption Progress

Artificial intelligence (AI) has emerged as a critical driver of competitive advantage, reshaping industries and redefining market leadership. Companies that delay AI adoption risk falling behind—not just globally, but even within their local markets.

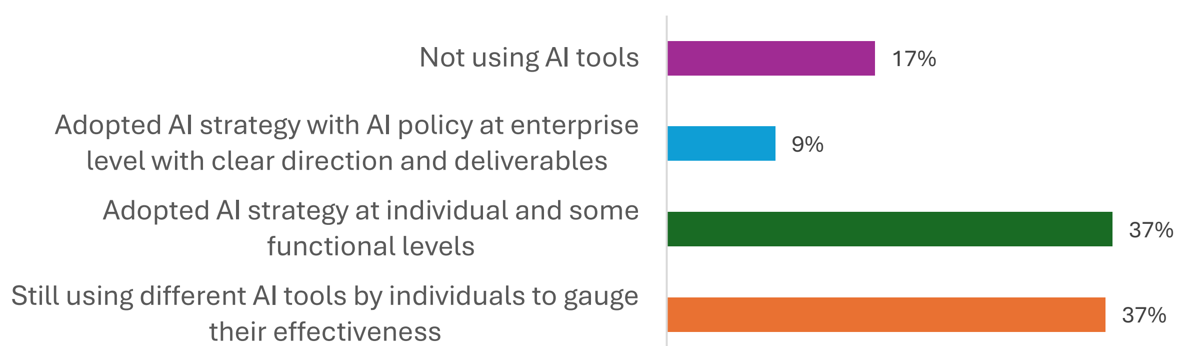
The 2Q2025 Vistage CEO Confidence Survey reveals promising momentum in AI integration among business leaders. Notably, only 17% of surveyed CEOs reported not using AI tools—a strong indicator that the majority recognize AI's transformative potential and are actively leveraging it to enhance efficiency, innovation, and decision-making.

The majority 83% of businesses are actively using AI tools in some capacity, indicating widespread recognition of AI's value. 37% are experimenting with AI at individual or functional levels, suggesting a trial-and-error phase to assess effectiveness. Another 37% have adopted AI strategically at some functional levels but lack enterprise-wide integration. Only 9% have a formal, enterprise-level AI strategy with clear policies and deliverables, highlighting that most companies are still in early or intermediate stages of AI maturity.

While 74% are actively using AI, the majority lack a cohesive, top-down strategy, potentially limiting scalability and ROI. The survey findings indicate opportunity for the leaders as the 9% with enterprise strategies are likely ahead in leveraging AI for competitive advantage.

Without structured policies, many risk inefficiencies or duplicated efforts, for example, siloed tools. Businesses in the 37% groups should focus on aligning AI use with organizational goals to transition from experimentation to transformation. Although AI adoption is widespread among Vistage CEOs, its adoption is uneven.

Figure 11. Actions taken to Adopt AI Tools



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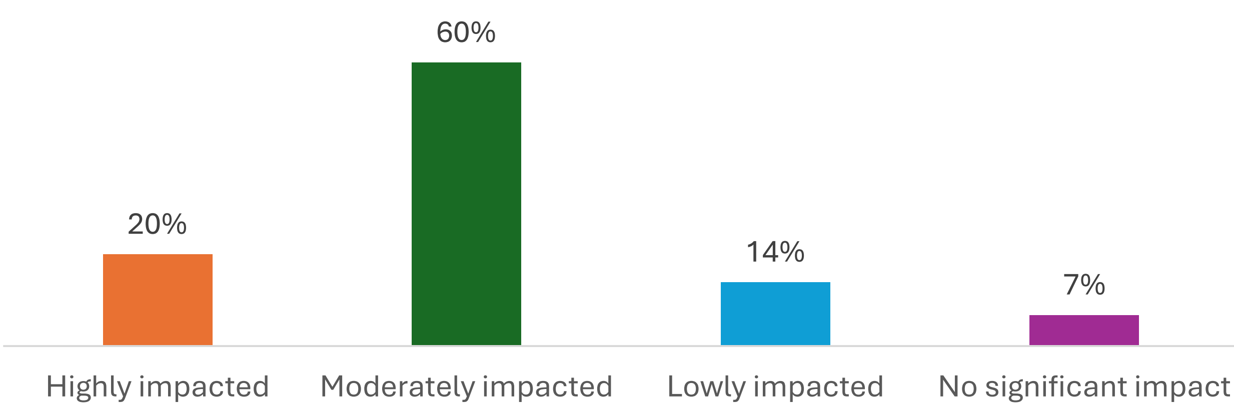
Inflation Impact on Business Costs

Businesses face mounting cost pressures from multiple fronts - including currency depreciation, rising wages, and increased raw material prices - all contributing to significant inflationary challenges. In the survey, 60% of the respondents reported moderate impact while 20% cited high impact, 14% noted minimal effects and 7% remained unaffected.

The survey reveals that a sizeable 80% of businesses (combining high and moderate impact groups) face consequential inflationary pressures. The findings underscore the need for differentiated approaches based on impact levels. For high-impact firms: Immediate cost restructuring and price strategy reviews may be in order while for moderate-impact businesses, process optimization and supplier renegotiation can be explored while for low-impact organizations, they may need to benchmark best practices for resilience against inflationary pressures.

Figure 12. Impact of Inflation on Cost of Doing Business



Note: Total does not tally due to rounding error

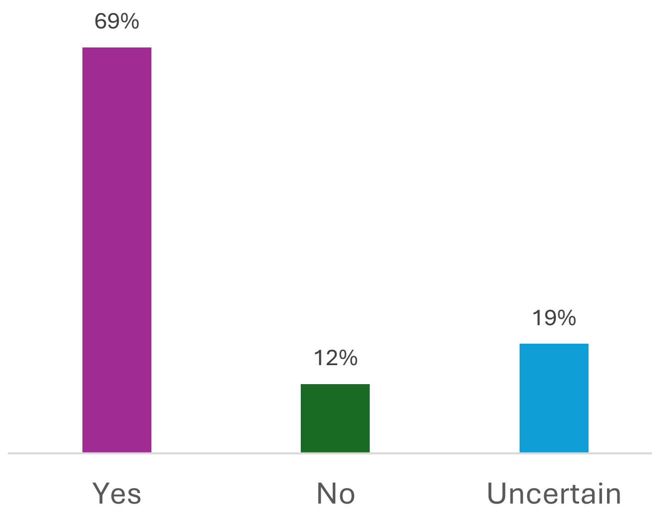
Perspectives on Government Measures and Initiatives

MEASURES THAT HAVE COST IMPACT

The implementation of four key fiscal measures: (1) stamp duty on employment contracts, (2) fuel subsidy rationalization, (3) expanded SST scope, and (4) mandatory e-invoicing - is projected to raise operational costs across sectors. Survey responses reveal strong business sentiment regarding implementation timing whereby 69% of the respondents opined that these measures should be delayed to 2026 while 12% support proceeding as scheduled and nearly one-fifth remain uncertain (Figure 13).

The strong preference for delay (69%) suggests current economic conditions may not be optimal for absorbing these concurrent cost increases. Since immediate rollout may compound current cost pressures, a phased implementation could allow for system adaptations while the delay period could be utilized for industry preparedness programs. Targeted support programs for the most affected sectors especially the small and medium-sized enterprises (SMEs) may need to be considered together with enhanced stakeholder engagement.

Figure 13. Response to the Need to Defer Government Measures



Perspectives on Government Measures and Initiatives

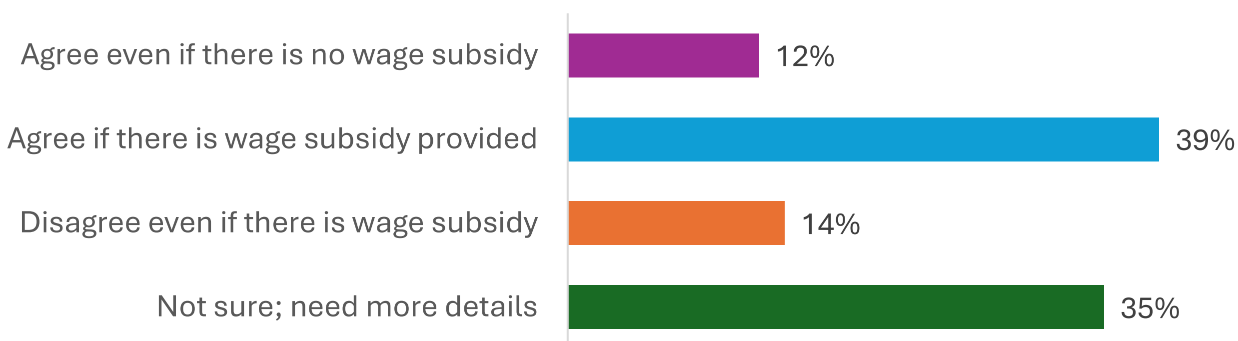
PROGRESSIVE WAGE MODEL

In the 3Q2023 Vistage CEO Confidence Index Survey, 44% of respondents agreed with the implementation of the Progressive Wage Model (PWM), 15% disagreed and 41% were uncertain. The Progressive Wage Policy (PWP) White Paper was tabled in Parliament on 30 November 2023, followed by pilot implementation involving 1,000 companies on a voluntary basis in June to September 2024. The PWP aims to support the country's transition into a high-income nation by boosting wages, productivity and skills development. It currently covers full-time workers in MSMEs earning under RM5,000 per month whereby the government provides wage subsidies of RM200 per month for entry-level workers and RM300 per month for non-entry level workers for 12 months.

The 2Q2025 survey results indicate varying levels of receptiveness toward PWM implementation among respondents. The survey revealed that 12% of the respondents expressed willingness to implement the PWM even without no wage subsidy while nearly 40% would agree to PWM if wage subsidies were available. This result is broadly consistent with the 3Q2023 Survey finding. 14% disagree with the PWM even if wage subsidy is provided while 35% remained uncertain, citing need for additional scheme information.

The availability of wage subsidies appears to be a significant adoption driver, potentially tripling voluntary implementation rates. Other key implications include the need to prioritize clear communication of PWM mechanics and benefits to address the 35% uncertainty cohort. The government may also consider phased subsidy programs to maintain the 40% conditional adoption group

Figure 14. Receptivity towards the Progressive Wage Model



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CEO CONFIDENCE INDEX

Leveraging off the sentiments of Small and Mid-sized CEOs and Business Owners since 2003

ABOUT THE VISTAGE CEO CONFIDENCE INDEX

Vistage Malaysia is a fully owned subsidiary of Vistage International, USA—the world's most trusted resource for CEOs, business owners, and key executives of small and medium-sized businesses. Vistage helps leaders become better decision-makers and deliver better results through monthly peer advisory group meetings, one-on-one business coaching, expert speaker presentations, and a global network spanning 40 countries with over 45,000 members worldwide.

In Malaysia, more than 1,400 Vistage members represent a combined annual revenue of RM90 billion and employ over 140,000 people. Vistage member companies grow, on average, 2.2 times faster than they did prior to joining Vistage.

In 2Q2025, Vistage Malaysia engaged Professor Dr Yeah Kim Leng as its Advisor and Collaborator for the quarterly Vistage CEO Confidence Index (CCI). Dr Yeah is a distinguished Malaysian economist with extensive experience in academia, policy advisory, and economic research. He currently serves as a Professor of Economics and Director of the Economic Studies Programme at the Jeffrey Cheah Institute on Southeast Asia, Sunway University. Dr Yeah was the Group Chief Economist at RAM Holdings Bhd for two decades. He also served as a senior analyst at the Institute of Strategic and International Studies (ISIS) Malaysia. In addition to his academic roles, Dr Yeah holds several notable positions:

- President of the Malaysian Economic Association (MEA)
- Trustee of the Malaysia Tax Research Foundation
- Member of the National Consumer Advisory Council at the Malaysian Ministry of Domestic Trade and Consumer Affairs
- Former External Member of Bank Negara Malaysia's Monetary Policy Committee

In April 2025, he was appointed as one of four advisers in the Policy Advisory Committee to the Prime Minister of Malaysia.

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