



# VISTAGE

## CEO CONFIDENCE INDEX SURVEY

Q1  
2026

Response Rate: 91% (1282 responses / 1407 members)

Margin of error: 3.6%

Data Collect: 24 March – 8 April 2026

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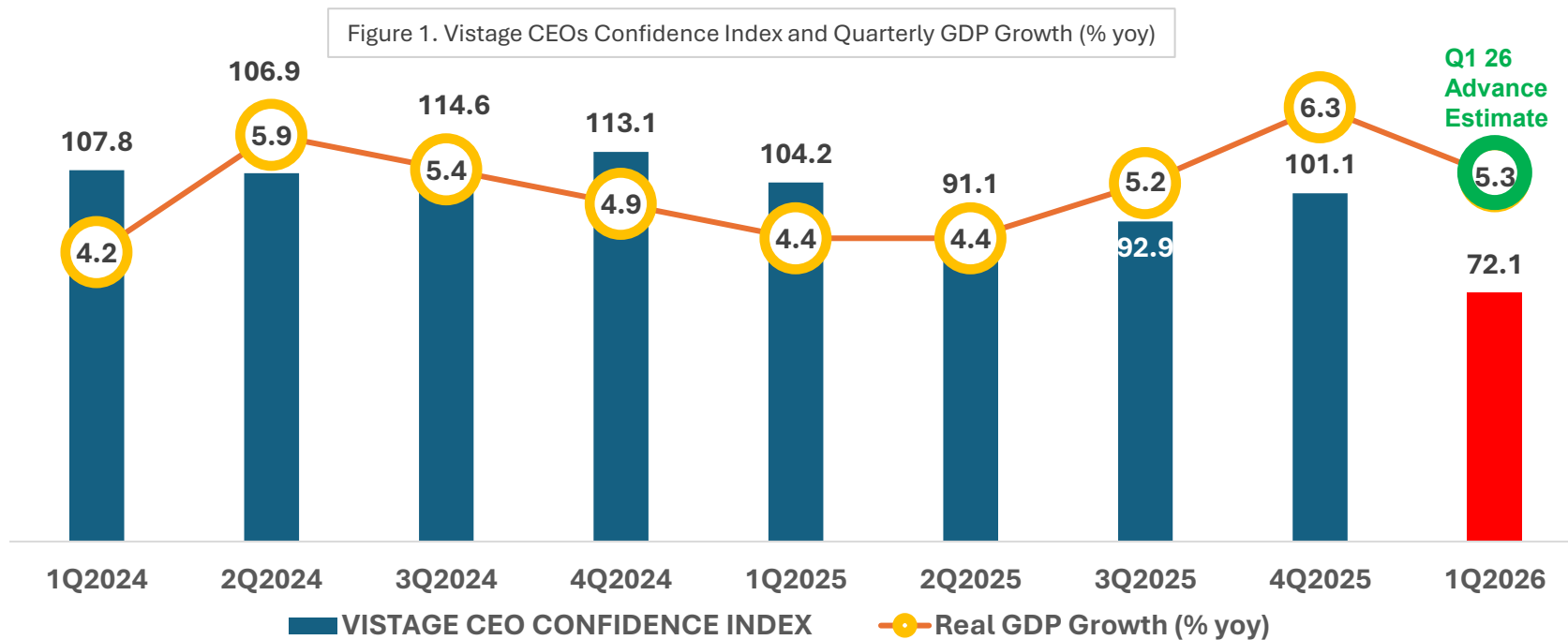
## Highlights

### CEO Confidence Deteriorated Sharply

The Vistage CEO Confidence Index plunged by 29 points (29%) to 72.1 in the first quarter of 2026 (Figure 1). The survey was conducted between 24 March and 8 April 2026, approximately one month after the outbreak of the Israel/U.S.-Iran war on February 28, 2026. The conflict disrupted global energy supplies, pushing Brent crude oil prices above \$100 per barrel during the survey period.

The magnitude of the decline in the overall confidence index is nearly double the drop recorded in Q2 2025 following the implementation of Trump’s Liberation Day tariffs, but less than half the plunge observed in Q2 2020 amid the COVID-19 pandemic lockdowns. Falling below the 100 threshold, the index signals weaker growth expectations for the second quarter and beyond, contrasting with the stronger-than-expected growth performance seen in the second half of 2025 (Figure 1).

While the decline in confidence is less severe than during the pandemic lockdowns, it is notably worse than the tariff shock of Q2 2025, suggesting that supply disruptions are now seen as a greater threat than trade policy. Businesses are responding by adjusting production, building inventories, and diversifying inputs. For policymakers, the priority is clear, that is, to bolster energy security and supply chain resilience to prevent weak confidence from translating into sustained contraction.



Note: GDP statistics sourced from the Department of Statistics Malaysia

## Highlights

## Behind the Headline Index: A Closer Look at the Components

All six sub-components of the confidence index declined in tandem. The largest drop of 58% was recorded in expected economic conditions over the next six months. With the exception of the employment sub-index, which fell 19% to 114, the remaining components—current economic conditions, planned fixed investment, and expectations for revenue and profit growth—each declined by more than 20%. Notably, current economic conditions, expected economic conditions, and profit expectations all fell below the 100 mark, signaling contractionary momentum (Table 1).

**Current economic conditions** fell 28% to 67, down from 93 in the prior quarter. This marks the second-lowest level among the components and indicates that CEOs already see the economy weakening in real time.

**Expected economic conditions** plunged 58% to 45, down from 108 in Q4 2025. This is by far the lowest reading among all components and signals that CEOs anticipate a sharp deterioration in the broader economy over the next six months.

**Expected change in employment** proved the most resilient, falling 19% to 114 from 140. Although still the highest among all components, the decline signals that hiring intentions are softening—but not collapsing.

**Planned fixed investment** also fell 23% to 106, from 138 in the previous quarter. The reading remains just above the 100 mark, indicating that while investment intentions have weakened, they have not yet turned negative on net.

**Expected revenue growth** declined 23% to 116, down from 150. While still above 100, the drop is substantial and suggests that top-line expectations are eroding quickly.

**Expected profit growth** dropped 28% to 97, falling from 135 in Q4 2025. Notably, this is the only operational component to dip below the 100 threshold, crossing into contractionary territory. Margin pressures from higher energy and input costs are clearly among the CEOs' top concerns.

The breach of the 100 threshold by current economic conditions (67), expected economic conditions (45), and profit growth (97) signals that CEOs see the macro environment and their bottom lines already in contraction. However, employment (114) and investment (106) remain above 100, suggesting a typical lag as firms cut profit expectations first, then revenue, then investment, and finally headcount. The unusually wide gap between expected economic conditions (45) and employment (114) implies that unless energy prices retreat quickly, hiring and capital spending will likely follow profits downward in the coming quarters. For now, the labour market is acting as a buffer, but it is a fragile one.

Table 1. CEO Confidence Index and Component Scores

Index & Components	1Q 25	2Q 25	3Q 25	4Q 25	1Q 26	% change from previous qtr	Trendline
<b>Vistage CEO Confidence Index</b>	<b>104.2</b>	<b>91.1</b>	<b>92.9</b>	<b>101.1</b>	<b>72.1</b>	<b>-29%</b>	
Current Economic Conditions	107	82	79	93	67	-28%	
Expected Economic Conditions	115	98	102	108	45	-58%	
Expected Change in Employment	141	129	131	140	114	-19%	
Planned Fixed Investment	138	123	128	138	106	-23%	
Expected Revenue Growth	152	136	137	150	116	-23%	
Expected Profit Growth	135	121	125	135	97	-28%	

## Highlights

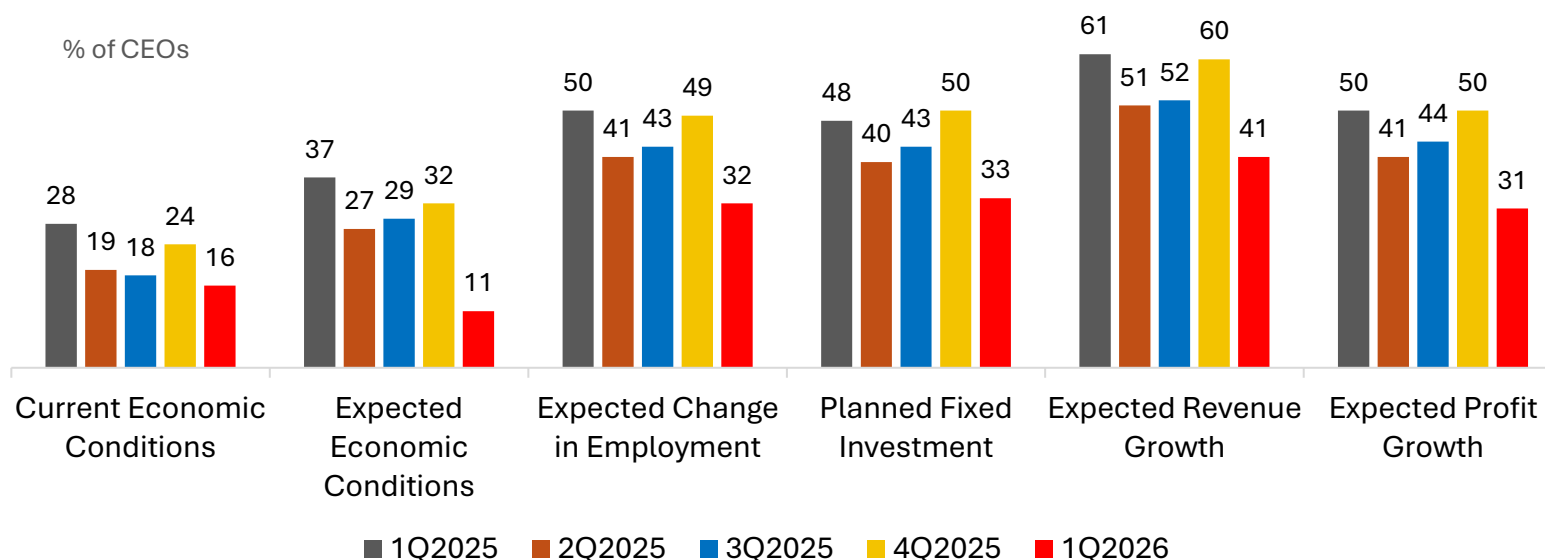
### Diverging Optimism: Strength in Operations, Weakness in Outlook

A breakdown of CEO responses focusing on those expecting improvement reveals a sharp drop in optimism (Figure 2). For current economic conditions, the share of CEOs expecting improvement fell to 16% in Q1 2026, down from 24% in the previous quarter. Similarly, those expecting improvement over the next six months declined sharply to 11% from 32%.

Beyond this broad-based deterioration in economic outlook, a notable one-third or more of CEOs remained confident that hiring, fixed investment, and revenue and profit growth would improve. However, these shares were also lower than in the prior quarter. These results partially support the prevailing narrative that the country is entering the global energy crisis from a position of strength, underpinned by improved economic fundamentals.

The sharp divergence between macroeconomic pessimism (66% expect conditions to worsen) and relatively contained declines in operational metrics suggests that CEOs view the energy shock as a structural headwind for the broader economy, but not yet an existential threat to their own hiring and investment plans. However, the doubling of profit deterioration expectations (to 34%) signals mounting margin pressure. If energy prices remain above \$100/barrel, operational pessimism could soon catch up with the economic outlook.

Figure 2. Proportion of CEOs (%) **Expecting Improvement**



## Highlights

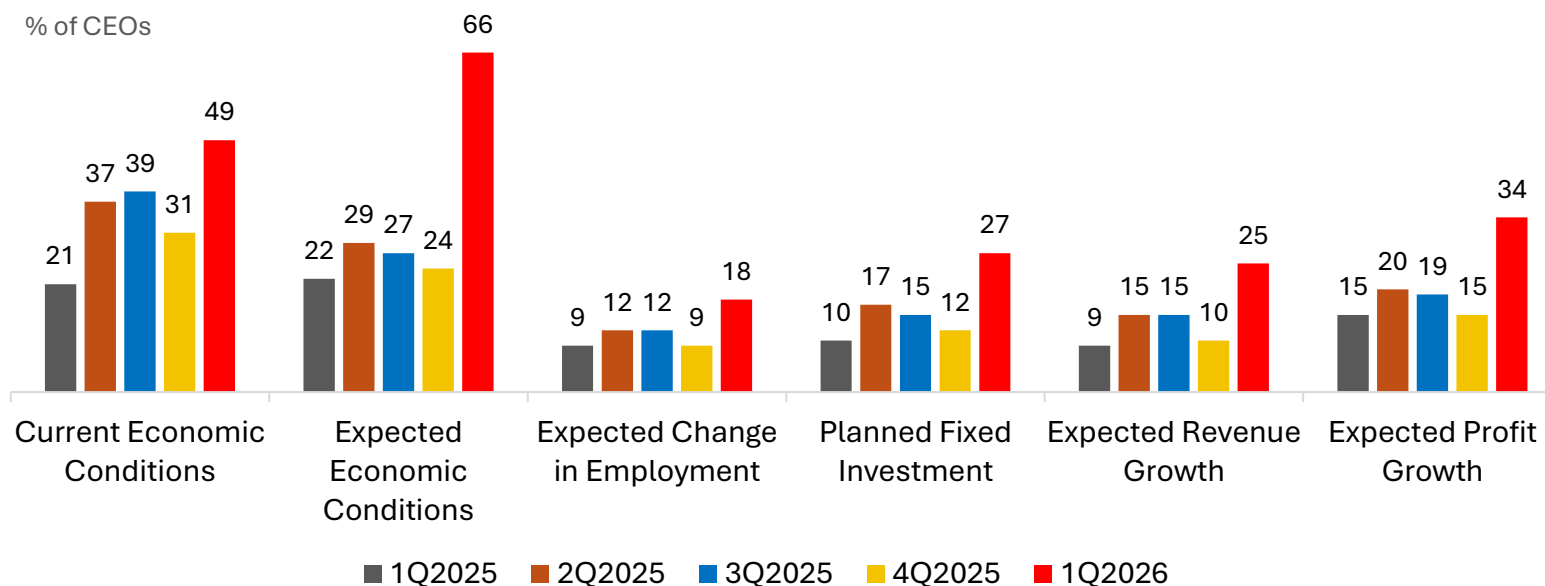
### Pessimism Surges on Economic Outlook, Tempered on Business Ops

Mirroring the decline in optimism, CEOs are now far more pessimistic about current and future economic conditions than about investment, employment, or financial performance. A striking 66% of CEOs expect future economic conditions to worsen, up sharply from just 24% in the previous quarter (Figure 3). This sharp shift reflects widespread expectations that the Middle East war will be protracted and will lead to a deteriorating economic environment.

Company performance is also expected to suffer. The share of CEOs anticipating profit growth to deteriorate more than doubled, rising from 15% in the prior quarter to 34% in Q1 2026. CEOs also turned more pessimistic on hiring, fixed investment, and revenue, though the increases in these areas were less pronounced than those for profitability and overall economic conditions.

The sharp divergence between macroeconomic pessimism (66% expect conditions to worsen) and relatively contained declines in operational metrics suggests that CEOs view the energy shock as a structural headwind for the broader economy, but not yet an existential threat to their own hiring and investment plans. However, the doubling of profit deterioration expectations (to 34%) signals mounting margin pressure. If energy prices remain above \$100/barrel, operational pessimism could soon catch up with the economic outlook.

Figure 3. Proportion of CEOs (%) **Expecting Deterioration**



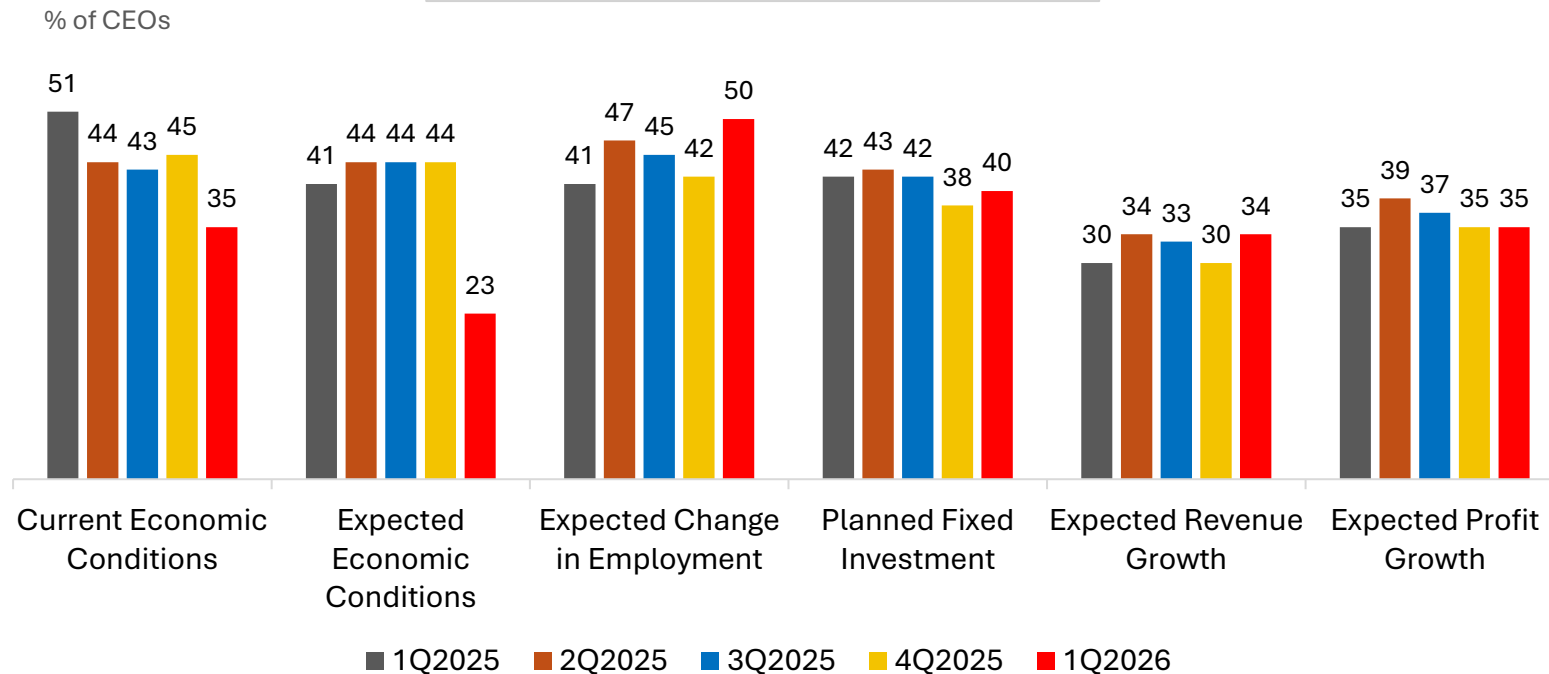
## Highlights

### Stability Beneath the Surface: Many CEOs Hold Operations Steady

Except for current and future economic conditions, a relatively stable and sizeable share of CEOs are keeping their expectations unchanged regarding revenue and profit growth, as well as their intentions to hire and invest. Notably, the proportion of CEOs maintaining their workforce increased from 42% in the previous quarter to 50% in Q1 2026. Likewise, the share holding steady on investment plans crept up modestly to 40% from 38%. Similarly, the proportion maintaining revenue growth expectations rose to 34% from 30%, while those keeping profit growth expectations unchanged held firm at 35%, the same level as the prior quarter.

The widening gap between bleak macro expectations and stable operational plans suggests firms are adopting a "wait-and-see" stance rather than retrenching or rolling back investments. Rising workforce stability (50%) points to labour market resilience, which may soften any near-term slowdown. Unless the energy shock deepens, the real economy could prove more durable than sentiment implies.

Figure 4. Proportion of CEOs (%) **Expecting No Change**



## Highlights

### Beyond the Averages: How CEOs' Sentiments Are Shifting

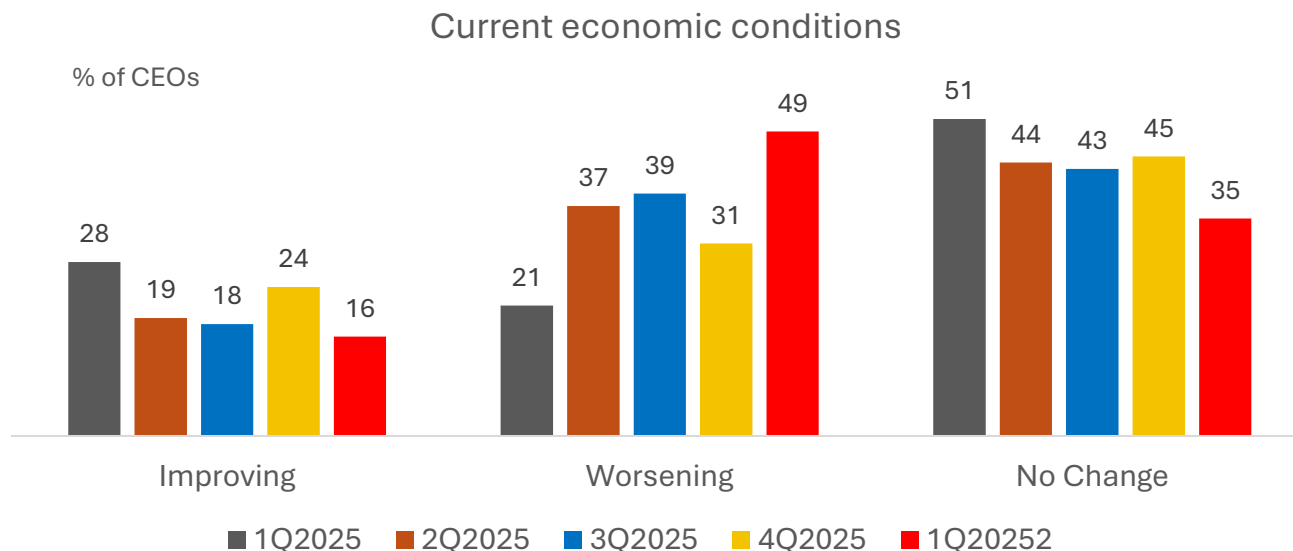
While the aggregate component levels tell us where confidence stands, the directional breakdown showing the share of CEOs expecting improvement, decline, or no change reveals how sentiment is moving. The results show a striking polarization whereby pessimism has surged on the macroeconomic front, while a notable minority of CEOs still see improvement in their own firms' operations.

### Current Economic Conditions: Confidence Crumbles

The proportion of CEOs expecting improvement in current economic conditions fell sharply to 16% in Q1 2026, down from 24% in the previous quarter (Figure 5). Pessimism deepened significantly over the same period, with the share of CEOs expecting conditions to worsen rising from 31% in Q4 2025 to 49% in Q1 2026. Meanwhile, those expecting no change fell from 45% to 35%, indicating that fewer CEOs are in a "wait-and-see" posture and more have shifted decisively toward a negative outlook.

The near doubling of CEOs expecting current conditions to worsen (from 31% to 49%), coupled with the shrinking neutral camp, suggests that the Middle East crisis is already being felt in real time, not just anticipated. With optimists now outnumbered nearly three to one (16% improving vs 49% worsening), businesses are likely bracing for immediate headwinds in customer demand, supply chain reliability, and input costs. This erosion of current conditions sentiment often precedes cuts in production and inventory, making it a leading indicator of weaker economic activity in the coming months.

Figure 5. Sharp rise in share of CEOs expecting current economic conditions to decline



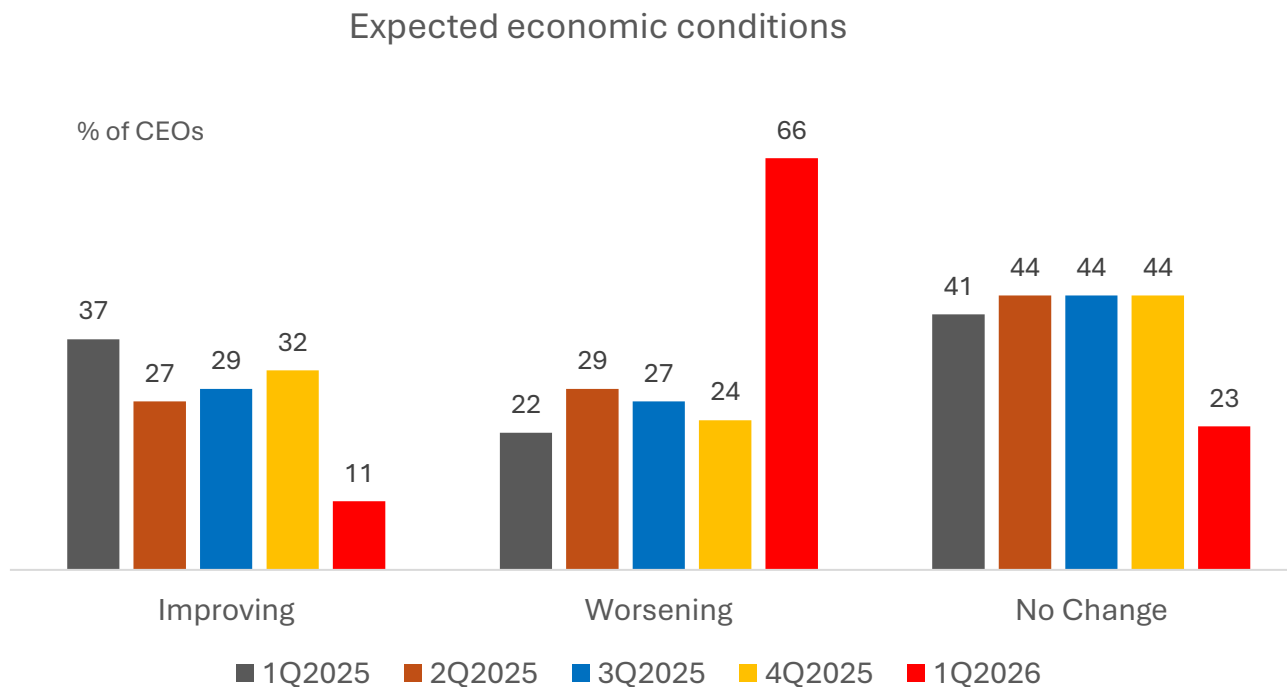
## Highlights

### Expected Economic Conditions: Steepest Fall

Only 11% of CEOs expect better economic conditions over the next six months, down sharply from 32% in Q4 2025 (Figure 6). Conversely, those expecting worsening conditions spiked to 66% from just 24% in the previous quarter. Meanwhile, the proportion expecting no change fell to 23% from 44%, underscoring the broad-based downward shift in confidence regarding the future economic outlook.

The sharp increase in CEOs expecting worsening conditions (from 24% to 66%), along with the fall in the stable camp to just 23%, represents a severe loss of forward-looking confidence. This suggests that CEOs overwhelmingly believe the Middle East conflict will persist and that energy-driven disruptions will deepen over the next two quarters. With only one in nine CEOs optimistic about the future, businesses are likely to delay expansion plans, tighten cost controls, and build cash reserves. For the broader economy, such a decisively negative outlook often precedes a sharp deceleration in GDP growth as caution becomes the dominant corporate strategy.

Figure 6. Sharp deterioration in expected economic conditions over the next 6 months



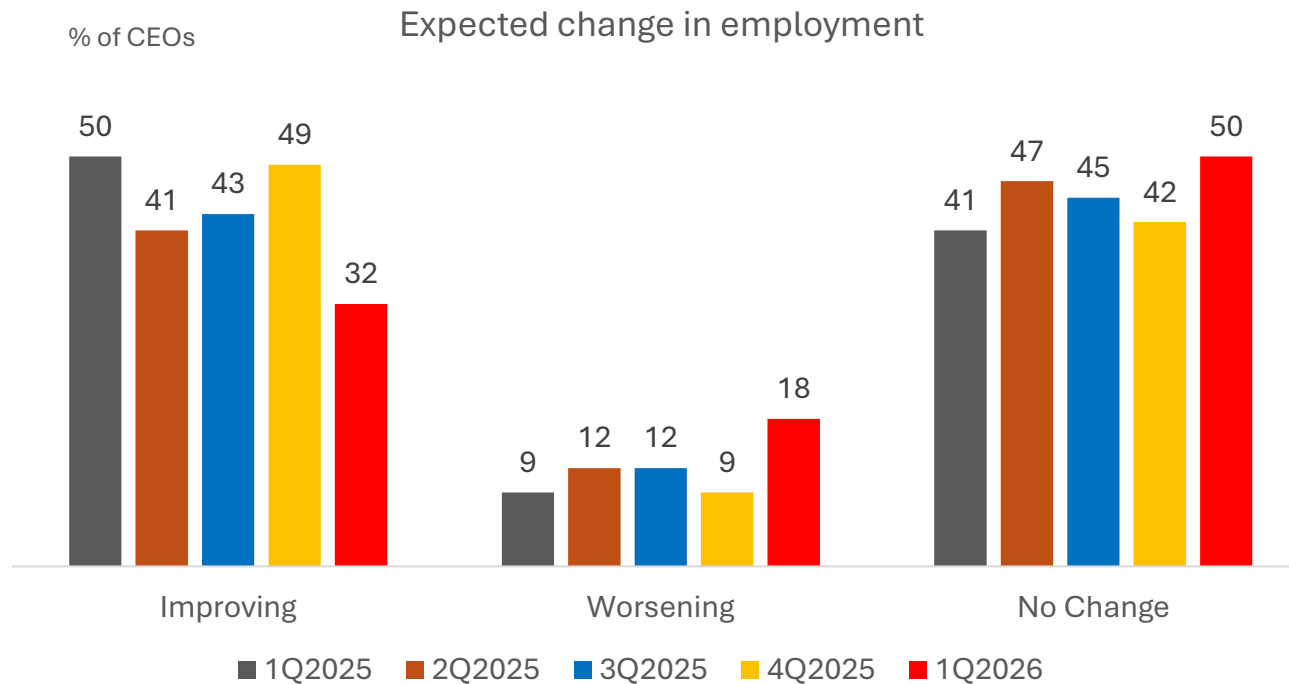
## Highlights

### Employment: Relative Bright Spot

The share of CEOs expecting to add workers fell modestly to 32% in Q1 2026 from 49% in Q4 2025, while those planning to reduce headcount doubled to 18% from 9%. Notably, the proportion of CEOs expecting no change in employment levels increased to 50% from 42% in the previous quarter. It is the highest "no change" reading across all components (Figure 7).

The rise in CEOs holding employment steady (to 50%) signals that hiring intentions are weakening but not collapsing. Unlike profit or revenue expectations, labour decisions carry higher adjustment costs (recruiting, training, severance), making firms more reluctant to cut headcount unless the downturn deepens. However, the doubling of those expecting to reduce staff (to 18%) is a warning sign. If energy prices remain elevated into Q2 2026, the share planning layoffs could accelerate, turning a labour market buffer into a drag on consumer spending.

Figure 7. Stable labour demand amid weakening job creation



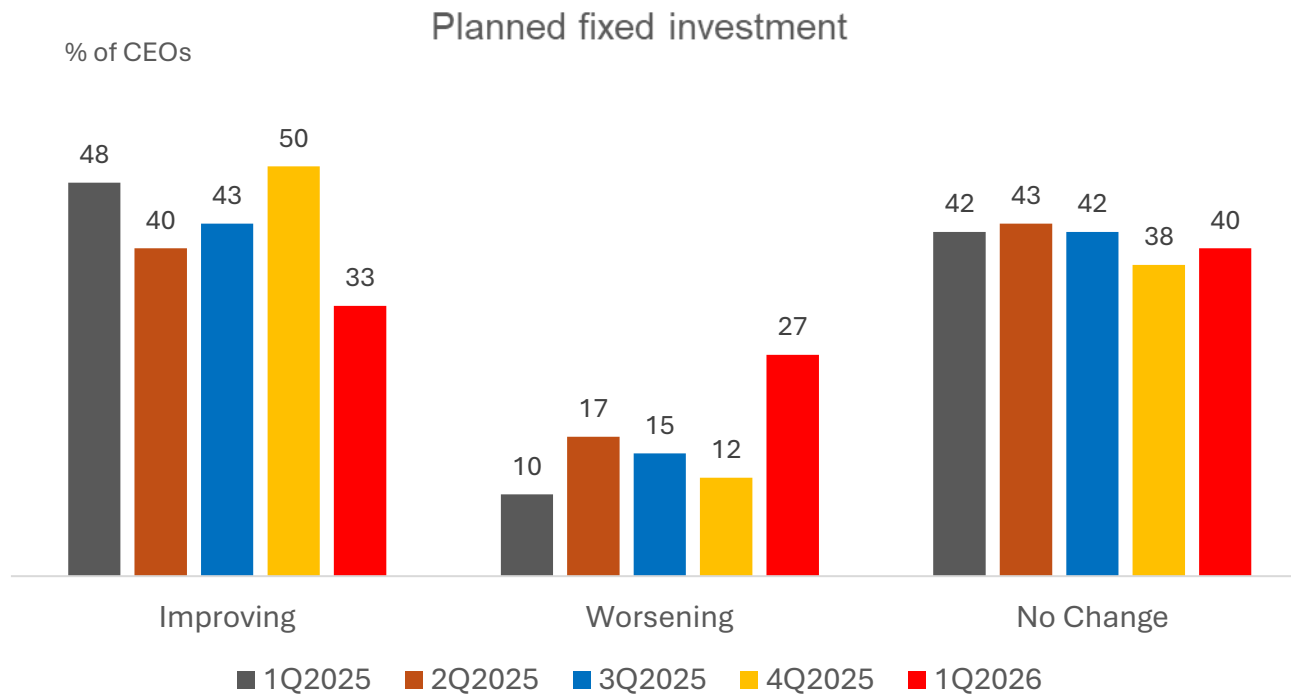
## Highlights

### Planned Fixed Investment: Pulling Back

CEOs expecting to increase investment fell to 33% in Q1 2026 from 37% in Q4 2025, while those planning to reduce investment rose to 27% from 21%. The share maintaining investment levels edged up to 40% from 38%, with the uptick likely reflecting a cautious "pause and assess" stance (Figure 8).

The narrowing gap between investment optimists (33%) and pessimists (27%), down from a 38-point spread in Q4 2025, indicates that capital spending intentions are deteriorating rapidly. With expected economic conditions at 45 (well below 100), many CEOs are likely postponing or scaling back capital-intensive projects until the energy outlook clarifies. A sustained decline in fixed investment would have lagged but lasting effects on productivity and capacity expansion, potentially weakening the economy's growth potential for 2027 and beyond.

Figure 8. Pull back in planned fixed investment



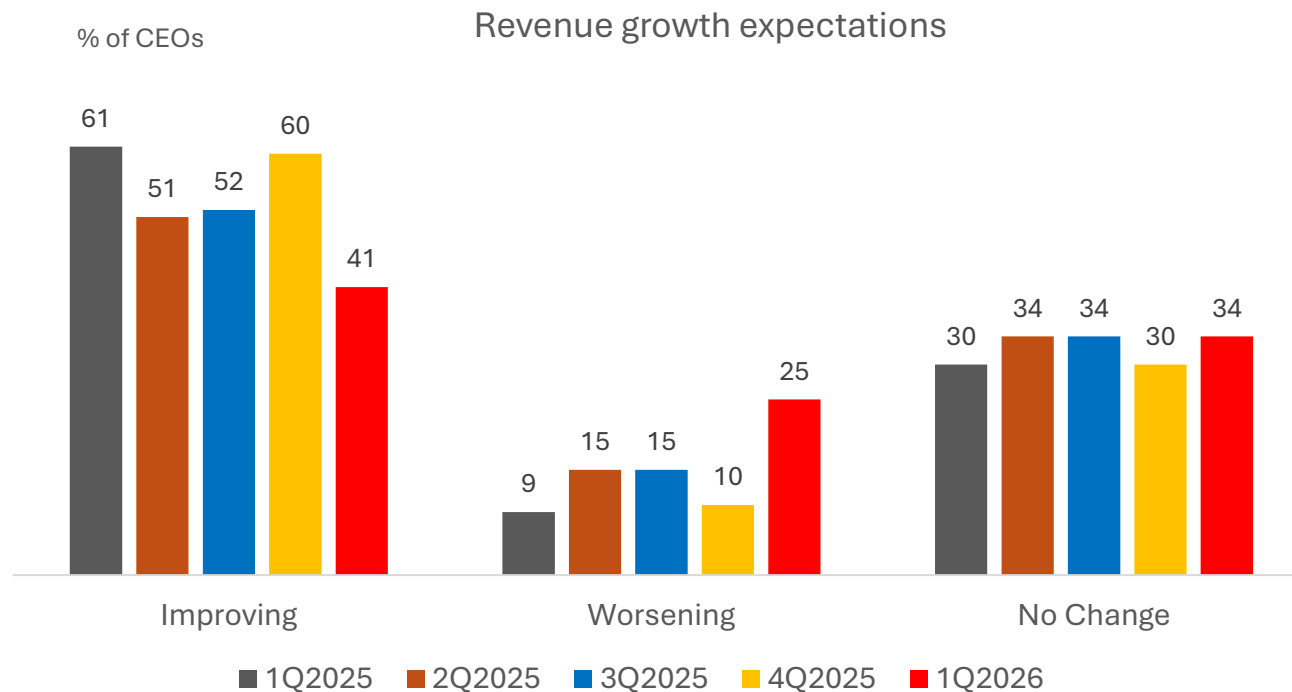
## Highlights

### Revenue Expectations: Downshifting

The share of CEOs expecting revenue growth over the next 12 months fell to 41% in Q1 2026 from 60% in Q4 2025, while those expecting revenue declines rose sharply to 25% from 10%. The proportion expecting no change in revenue increased to 34% from 30% (Figure 9).

The one-and-a-half times rise in CEOs expecting revenue declines (to 25%) suggests that top-line pressure will show up in order books and interactions with clients. While a majority still expect improvement (41%), the erosion of confidence has risen. Revenue expectations have held up above 100, which signals support for hiring and investment decisions, but the expanding "no change" camp (34%) likely reflects uncertainty rather than stability as CEOs await visibility on how energy costs will affect consumer demand and input prices.

Figure 9. Downshifting in revenue outlook



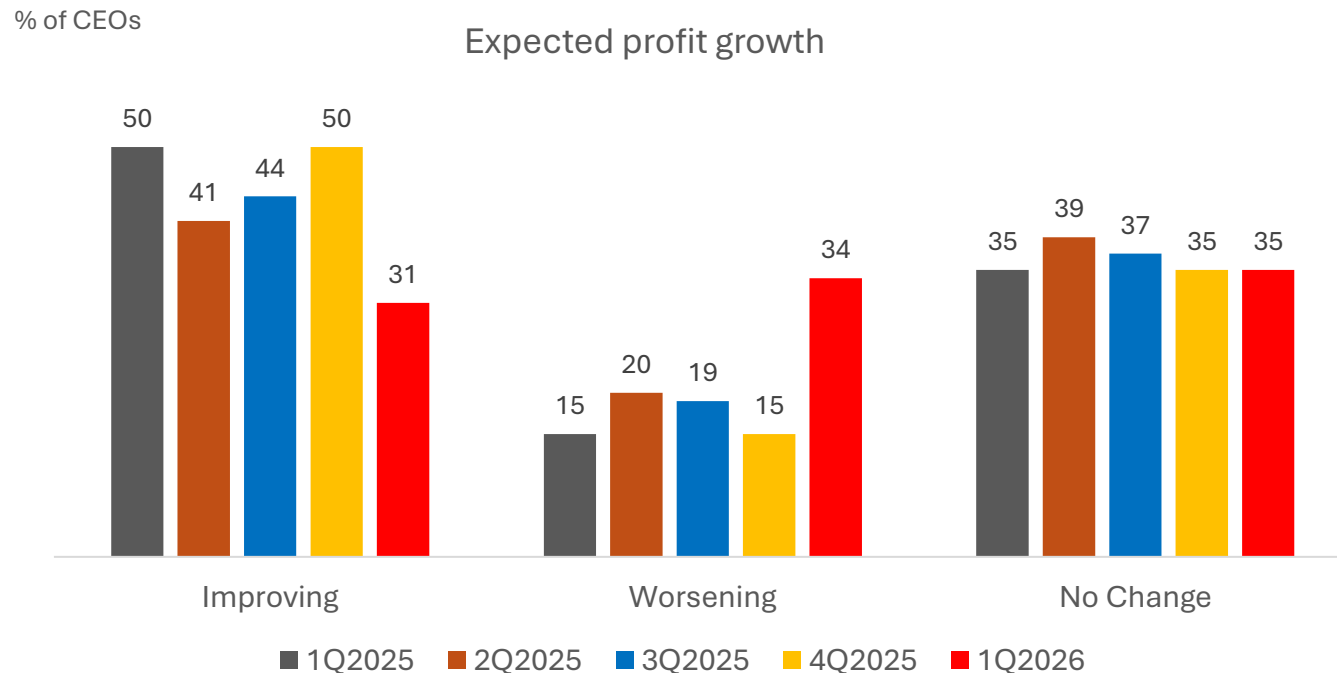
## Highlights

### Profit Expectations: Margin Pressure Up

The share of CEOs expecting profit growth fell sharply to 31% in Q1 2026 from 50% in Q4 2025, while those expecting profit declines more than doubled to 34% from 15%. It represents the largest deterioration among all operational components. The share expecting no change held steady at 35%, unchanged from the previous quarter.

Since profits are the first domino to fall, the near doubling of pessimism on profit growth (to 34%) even as revenue expectations softened less severely, highlights the squeeze from higher energy, transport, and other operating costs on margins. Unlike revenue, which can be supported by volume or pricing power, profits reflect the net impact of rising input costs. With the profit expectations index now below 100 (97), CEOs are signaling that cost absorption has limits. Unless input cost shocks retreat and demand holds steady, profit-led cost cutting, starting with discretionary spending and extending to headcount, could accelerate in the coming quarters. The fact that 35% of CEOs still expect no change suggests a pause, not stability. It can be surmised that many are likely waiting to see if margin compression persists before pulling the trigger on deeper cuts.

Figure 10. Profit margin pressure rises



## Orders and Selling Prices

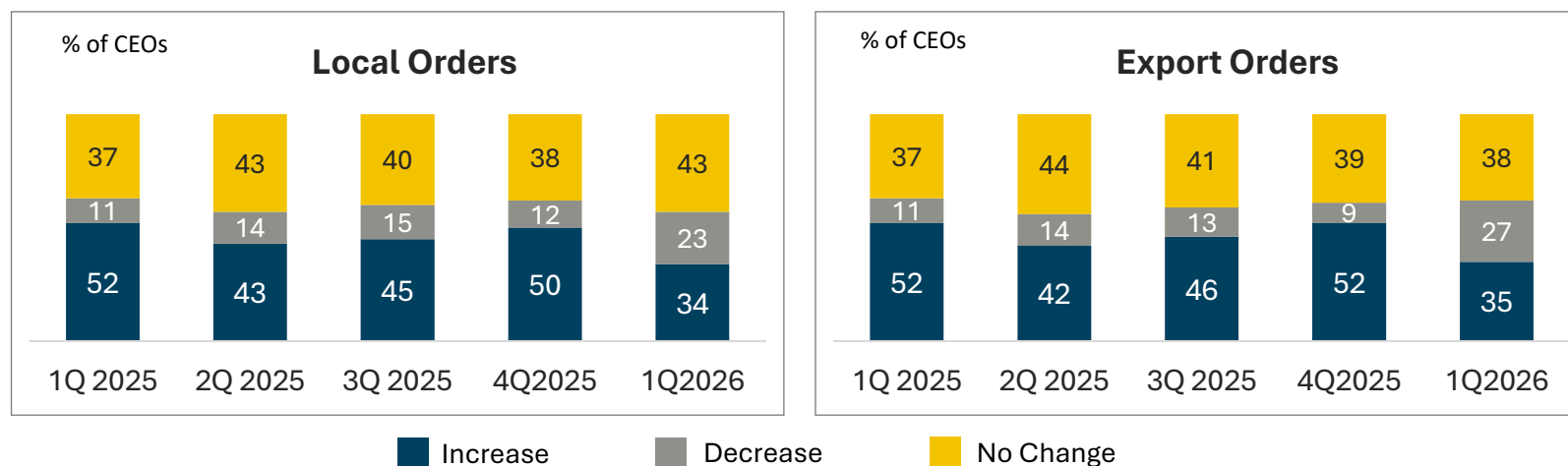
### Local order: Domestic demand softens

The sharp decline in CEOs reporting an increase in local orders (from 50% to 34%), coupled with a near doubling of those reporting a decrease (from 12% to 23%), signals a clear softening in domestic demand. The rise in the "no change" responses to 43% suggests that many businesses are experiencing flat order books rather than outright contraction, but the directional shift is unmistakably negative. For businesses serving local markets, the implication is that consumer or business-to-business spending is weakening, likely due to the Middle East crisis, energy-driven cost-of-living pressures and heightened uncertainty. Companies are likely to avoid holding excess inventory in anticipation of stronger demand, review accounts receivable for signs of customer stress, and consider targeted promotions or value-focused offerings to protect market share without triggering a price war. If local orders continue to deteriorate in Q2 2026, more aggressive cost actions may become necessary.

### Export Orders: Global Demand Erodes Faster

Export orders have been hit harder than local orders. The share of CEOs reporting an increase fell sharply from 52% to 35%, while those reporting a decrease tripled from 9% to 27%. This is the largest deterioration across both local and export categories. This suggests that global demand for domestically produced goods is eroding rapidly, potentially due to a combination of higher domestic production costs (passed through via energy and transport) and weakening global growth. For export-dependent businesses, the implications are serious. Competitiveness may be slipping as rising input costs push export prices higher. Companies should urgently review their export pricing strategy, assess currency hedging positions, and explore alternative markets where demand may be more resilient. Diversifying supply chains or shifting to higher-value products could mitigate margin pressure. If the trend continues, export-led growth will not act as a buffer against domestic softness in the coming quarters.

Figure 11. Softening local and export orders



## Orders and Selling Prices

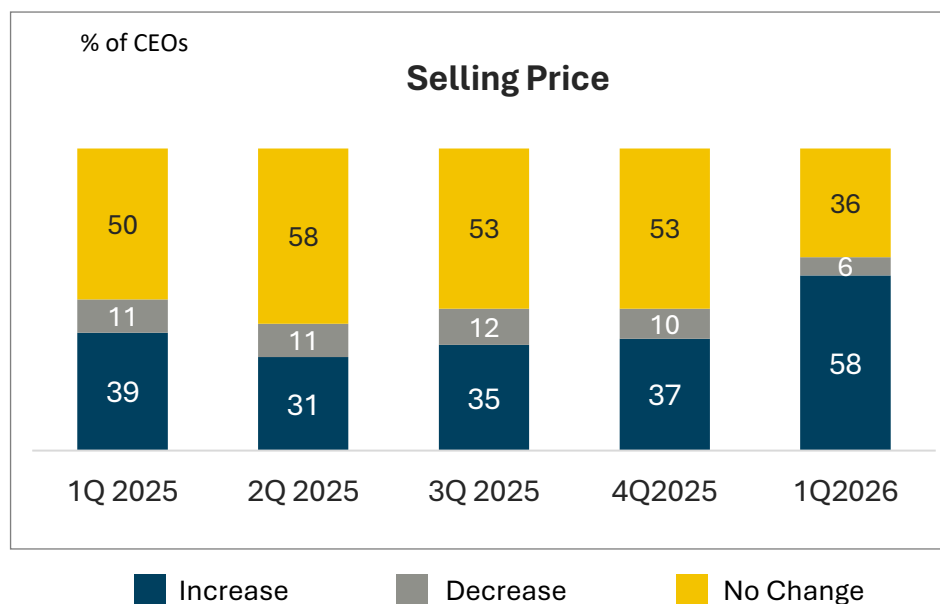
### Prices: Cost Pass-through Strengthens, but Demand Signals Bear Watching

The share of CEOs intending to raise selling prices rose to 58% in Q1 2026, up from 37% in the prior quarter. It is the highest reading in the series. Over the same period, those reporting no price change fell from 53% to 36%, while only 6% reported lowering prices. This suggests that many businesses are passing higher energy, transport, and operating costs on to customers.

For businesses, the implication is that cost pass-through has increased in the near term, though the concurrent softening in local and export orders warrants close attention. Companies that have raised prices may wish to monitor customer retention and order volumes for any signs of demand pullback. Those yet to adjust prices should evaluate whether their margins can absorb continued cost pressures or whether a measured increase is warranted.

Given the early signs of weakening orders, smaller and more frequent price adjustments may be easier for customers to absorb than large, one-time hikes. Communicating the rationale behind any price changes, such as higher input costs, can help preserve customer goodwill. The coming quarter will provide clearer evidence of whether the current cost pass-through remains feasible or whether demand softness will limit further increases.

Figure 12. Stronger cost pass-through, but softening demand could limit pricing power



## The Impact of the Middle East Conflict

The survey asked CEOs to rate the impact of the Israel/U.S.-Iran war across six business dimensions. The results reveal a widespread shock, with energy and raw material costs emerging as the most severely affected areas.

### 1. Energy/fuel costs (67% moderate/significant)

Energy/fuel costs are the hardest-hit dimension, with nearly one-third of CEOs (32%) reporting a significant impact. This aligns with Brent crude prices surging past \$100 per barrel during the survey period. The implication is clear: energy cost inflation will persist as long as the conflict continues, placing immediate pressure on operating margins, particularly in transportation, manufacturing, and logistics-intensive sectors. Businesses should respond by locking in fixed-price energy contracts where available to hedge against further spikes, investing in fuel efficiency measures for fleet and operations, and passing through costs where competitively feasible while monitoring customer response closely.

### 2. Raw material/supplier costs (64% moderate/significant)

Almost two-thirds of CEOs report moderate to significant cost increases from suppliers, indicating that energy price spikes are cascading through supply chains. The implication is that input cost inflation is broad-based, not limited to energy. Suppliers are passing on higher costs, and these increases may continue to flow through in the coming months. To address this, businesses should negotiate longer-term agreements with key suppliers to lock in pricing, explore alternative materials or specifications where possible, and build closer relationships with tier-1 and tier-2 suppliers to gain early visibility on future increases.

### 3. Freight/logistics costs (64% moderate/significant)

Freight and logistics costs are similarly elevated to raw material costs, reflecting higher fuel surcharges and the potential rerouting of shipments away from conflict zones. The implication is that logistics costs will remain volatile, especially for businesses relying on maritime routes through the Middle East or air freight with fuel surcharges. Businesses should respond by diversifying shipping routes, carriers, and modes to reduce reliance on any single logistics provider, increasing buffer inventory for critical inputs to reduce urgency-based freight, and reviewing incoterms with customers and suppliers to clarify freight cost responsibility.

### 4. Slower demand/customer uncertainty (62% moderate/significant)

More than six in ten CEOs report that the war is already dampening demand or increasing customer hesitation, not just raising costs. This indicates that the war is affecting end markets directly, not only supply chains. Customers may be postponing purchases, reducing order sizes, or seeking cheaper alternatives. To manage this, businesses should strengthen customer communication to reinforce value and reliability, offer flexible payment or delivery terms to preserve order volumes, segment customers by price sensitivity, protect relationships with core clients, and avoid aggressive price increases on elastic products or services.

## The Impact of the Middle East Conflict

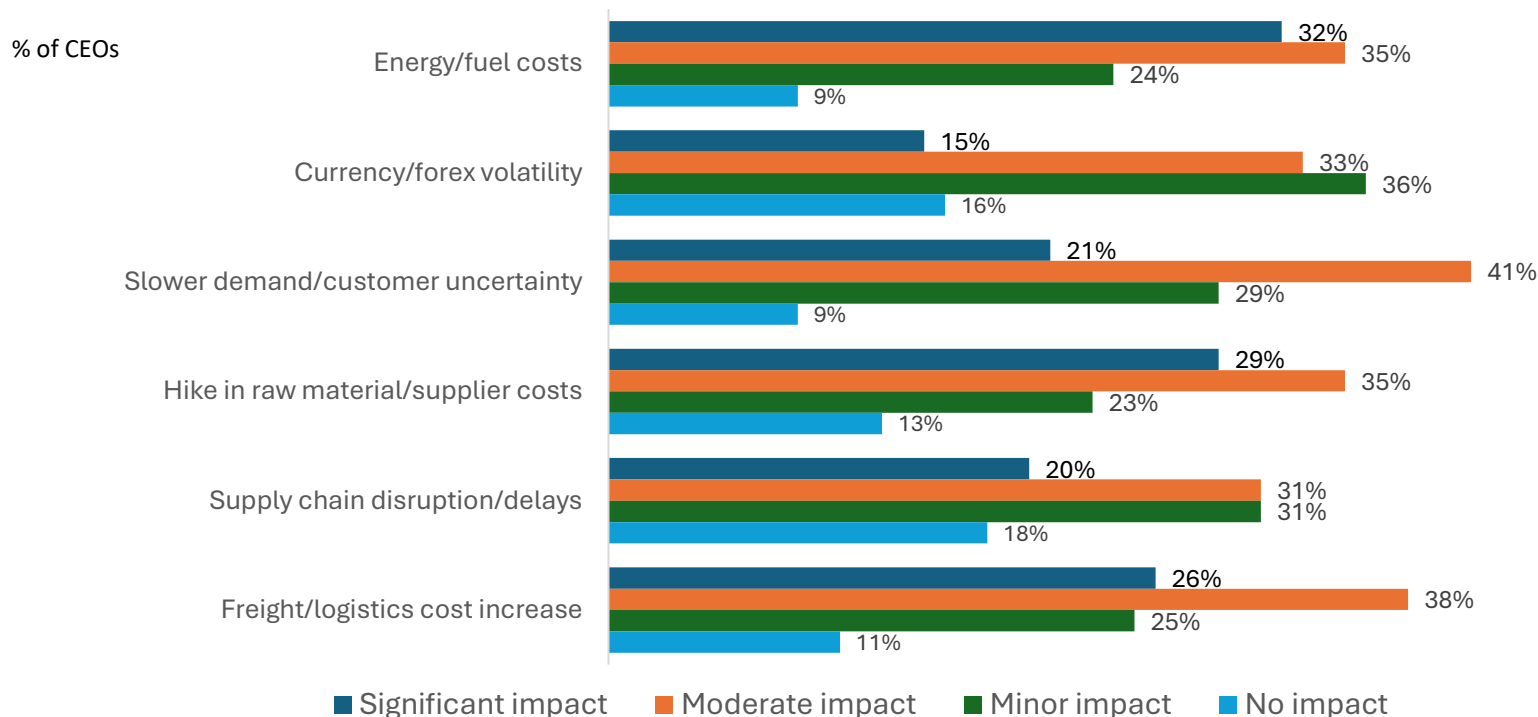
### 5. Supply chain disruption/delays (51% moderate/significant)

Just over half of CEOs report moderate to significant delays, suggesting that while disruptions are real, they are less severe than cost increases. The implication is that delays are manageable for now but could worsen if the conflict expands or if shipping lanes are further disrupted. Businesses should respond by mapping alternative suppliers, especially for single-sourced or conflict-exposed components, increasing safety stock for critical inputs to buffer against extended lead times, and communicating expected lead times transparently to customers to manage expectations.

### 6. Currency/forex volatility (48% moderate/significant)

Currency and forex volatility is the least impacted dimension, though still nearly half of CEOs report moderate to significant effects. This likely reflects dollar strength and emerging market currency pressures. The implication is that cross-border businesses face increased unpredictability in revenues and costs. Emerging market exporters may gain competitiveness from weaker local currencies, but importers will face higher costs. To mitigate these risks, businesses should review hedging programs for major currency exposures, consider natural hedges by matching currency revenues with currency costs, and invoice in stable currencies where possible or build exchange rate clauses into contracts.

Figure 13. CEOs' Assessment of the War's Impact



## The Impact of the Middle East Conflict

In response to other firm or business-specific impact, the survey reveals that while direct impacts from the conflict are rarely cited as singular events, the overwhelming majority of respondents experience a cascading series of operational cost increases and supply chain friction, particularly in logistics, raw materials, and energy-linked inputs like petrol and plastics. Equally significant are demand-side pressures whereby consumers and businesses are tightening spending, leading to slower sales, lower transaction values, and inventory write-offs. These revenue strains are compounded by deteriorating cash flow, with many reporting lengthened payment cycles and uncollectable receivables.

Labor markets add another layer of stress through rising wage expectations and difficulty finding suitable staff. Notably, a small minority see no direct impact, but even among them, indirect effects on clients are acknowledged. Overall, the conflict appears to be amplifying existing inflationary and supply-chain vulnerabilities, pushing many firms into a defensive posture focused on cost management and cash preservation.

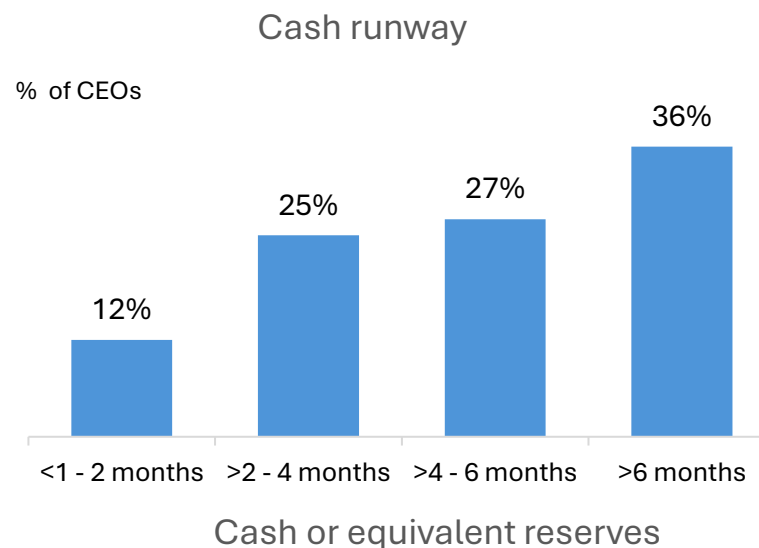
### Cash Runway: Confidence Plunges but Liquidity Steady

The survey asked CEOs how many months of cash or equivalent reserves their businesses currently hold. The results show a broadly resilient but bifurcated liquidity landscape. More than one-third of CEOs (36%) report having cash reserves exceeding six months, indicating a strong liquidity position for a sizable minority, while over half (63%) have at least four months of runway. However, 37% of CEOs have less than four months of reserves, including 12% with less than two months, rendering this small cohort vulnerable to liquidity risk.

The implication is that while a significant portion of businesses entered the Middle East Crisis from a position of financial strength and are well-positioned to weather protracted disruption, invest through the downturn, or even capture market share from weaker competitors, the 12% with less than two months of runway could face immediate pressure.

If the conflict persists and revenue softens further, these businesses may need to draw on credit lines, seek emergency funding, or make rapid cost cuts within the next 60 to 90 days. The 25% with two to four months of reserves are not immediately at risk, but with a limited buffer, should conditions worsen. For policymakers and supply chain partners, the concentration of vulnerability (37% with under four months) warrants close monitoring, as a wave of distress among smaller or less liquid firms could amplify the economic slowdown through supplier defaults and job losses.

Figure 14. Strong Cash Buffers for Most, Thin Runway for Some



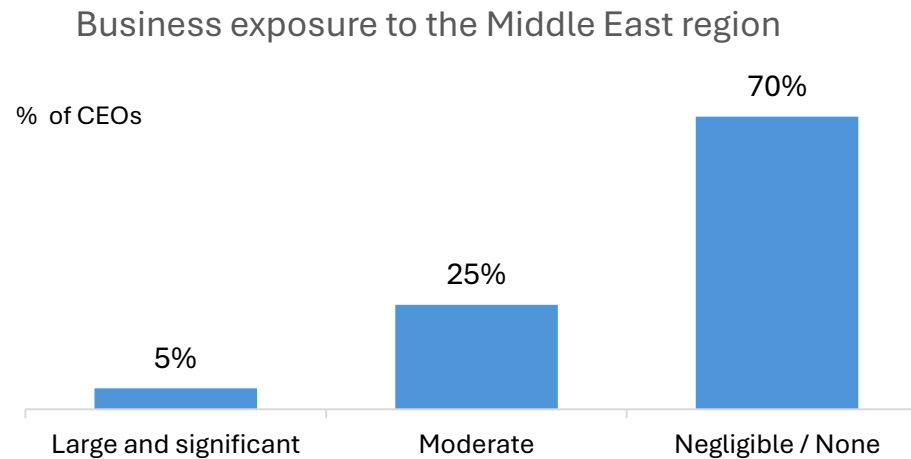
## The Impact of the Middle East Conflict

### Exposure to Middle East markets

To assess the degree to which businesses are directly vulnerable to the escalation of the Israel/U.S.-Iran war, CEOs were asked about their company's level of exposure to the Middle East region. The question captured direct exposure through supply chains, customer bases, operations, or investments located in or heavily reliant on the Middle East.

The results show that 70% of CEOs report negligible or no direct exposure, 25% have moderate exposure, and only 5% face large and significant exposure. At first glance, this appears reassuring. However, the earlier impact assessment, where 67% of CEOs reported significant or moderate energy cost increases and 62% reported softer demand, reveals the critical nuance that the war's effects are being transmitted globally through energy prices, freight markets, and confidence, not just through direct regional ties.

Figure 15. Limited Direct Exposure, but Indirect Risks Run High



## The Impact of the Middle East Conflict

### Concern Levels Among Exposed CEOs

CEOs who reported either large/significant or moderate direct exposure to the Middle East region (30% of all respondents, comprising 5% with large exposure and 25% with moderate exposure) were asked a follow-up question: how concerned are they about the business impact of the conflict over the next 12 months?

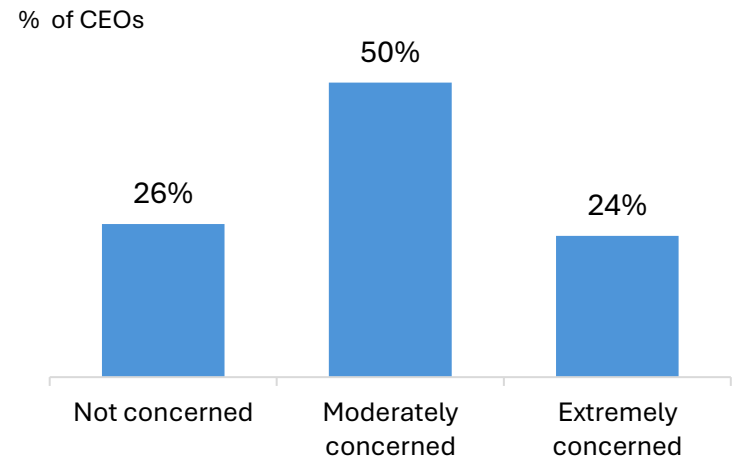
The results shown in Figure 16 revealed that among the 30% of CEOs with some direct exposure to the Middle East, concern levels are notably high. Half (50%) report being moderately concerned, while nearly one in four (24%) are extremely concerned about the business impact of the conflict over the next 12 months. Only 26% of exposed CEOs are not concerned, suggesting that the vast majority (74%) see the conflict as a material risk to their operations, supply chains, or customer base over the coming year.

The distribution skews toward moderate rather than extreme concern, indicating that while most exposed CEOs are worried, few believe the situation is catastrophic for their specific business. However, the combination of 24% extremely concerned and 50% moderately concerned implies that a significant portion of exposed firms are actively planning for continued disruption rather than a quick resolution.

For the 30% of CEOs with direct exposure, the high levels of concern, namely, 74% moderate or extreme, signal that contingency planning should extend well beyond the next two quarters. The 24% who are extremely concerned likely face critical dependencies on Middle Eastern suppliers, customers, or assets. For all exposed firms, the 12-month horizon embedded in the question reflects a sobering reality that CEOs are bracing for a protracted disruption, not a short-lived spike.

Figure 16. One in Four Extremely Concerned Over Exposure to the Middle East

### Concerns over impact of Middle East conflict over the next 12 months



## The Impact of the Middle East Conflict

### Customer behaviour and demand patterns

CEOs were asked to describe any changes they have observed in customer behaviour or demand patterns since the escalation of the Middle East conflict, beyond the direct cost and supply chain impacts already captured elsewhere in the survey.

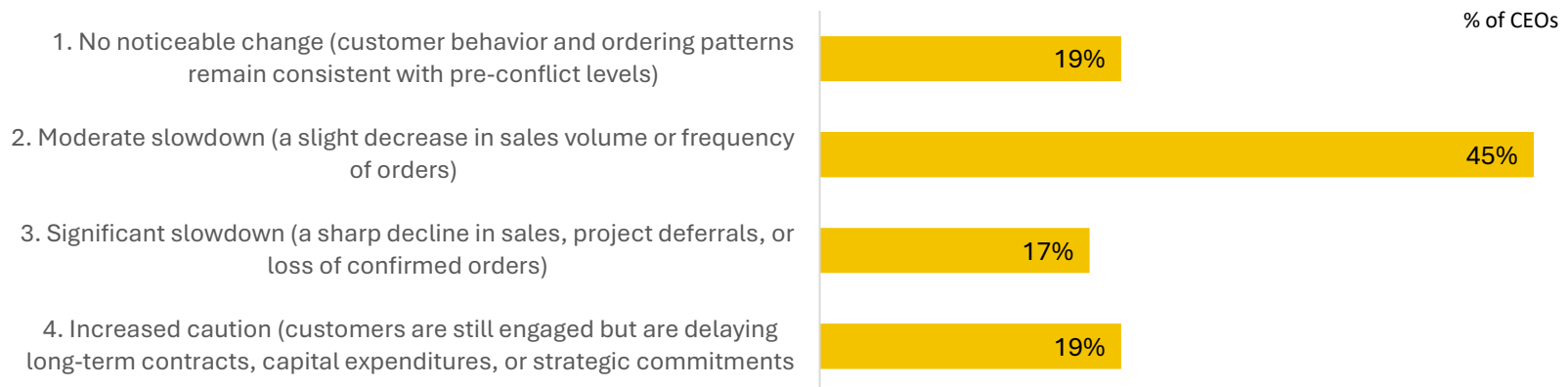
The results show that only 19% of CEOs report no noticeable change in customer behaviour since the escalation of the conflict. The majority 81% have observed some form of negative shift. The most common response, at 45%, is a moderate slowdown in sales volume or order frequency, indicating broad-based but not yet catastrophic demand softening. A further 17% report a significant slowdown, including sharp declines, project deferrals, or outright loss of confirmed orders. Notably, 19% report increased caution, where customers remain engaged but are delaying long-term contracts, capital expenditures, or strategic commitments, signaling that uncertainty could be keeping decision-making at higher levels on hold.

The distinction between "moderate slowdown" (45%) and "increased caution" (19%) is important. The former reflects actual volume declines, while the latter reflects hesitation that has not yet translated into lost sales but may do so in future quarters. Together, 64% of CEOs report either a slowdown (moderate or significant) or increased caution, suggesting that demand weakness is not a niche concern but a systemic shift.

Across all groups, the predominance of caution and slowdown (81%) signals that the war has already moved beyond supply chains into end-market behaviour, which is a more difficult challenge for businesses to manage than cost shocks alone.

Figure 17. Caution and Slowdown Replace Business-As-Usual

### Changes in customer behaviour due to Middle East crisis



## The Impact of the Middle East Conflict

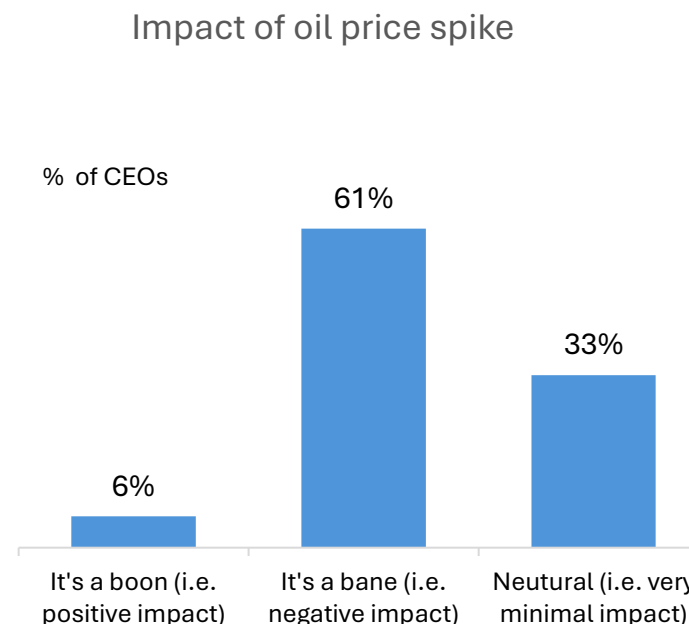
### Impact of Oil Price Spike

CEOs were asked directly how the recent spike in oil prices, driven by the Middle East conflict and Brent crude surging past \$100 per barrel, has impacted their business. Respondents were asked to characterize the impact as positive (a boon), negative (a bane), or neutral (very minimal impact). The results are unambiguous. Nearly two-thirds of CEOs (61%) report that the oil price spike has been a net negative for their business. This aligns with earlier findings on energy costs (67% reporting moderate or significant impact) and the broad-based deterioration in confidence and demand.

Only 6% of CEOs report that higher oil prices have been a boon, likely representing energy producers, oilfield services firms, or businesses with direct exposure to rising commodity prices. One-third (33%) report neutral or very minimal impact, suggesting that some businesses are either insulated from energy costs (e.g., service firms with low direct fuel exposure) or have been able to pass through costs without volume loss—at least so far.

The striking asymmetry between negative (61%) and positive (6%) underscores that the oil price shock is a net drag on the business population, not a zero-sum redistribution. The 33% neutral response, while not insignificant, still leaves a majority of CEOs actively managing headwinds from higher fuel, transport, and input costs.

Figure 18. Overwhelming Negative with a Small Minority Reporting Gains



## Preparations for Escalation or Prolonged Instability

CEOs were asked which measures their company has already taken to prepare for potential escalations or prolonged instability in the Middle East. Respondents could select all that apply, reflecting a range of defensive and strategic actions.

As summarised in Figure 19, the most common response, at 54%, is revising revenue forecasts and budgets, which is a largely reactive, inward-looking measure that acknowledges deteriorating expectations but does little to build operational resilience. Just over one-third (33%) have increased inventory or stockpiled raw materials, suggesting a defensive buildup against supply disruptions. A quarter (28%) have diversified their supplier base or pursued near-shoring, while a similar proportion (28%) have engaged in scenario planning or war-gaming, both more strategic and forward-looking actions.

Notably, 25% of CEOs report taking no specific measures yet, a concerning proportion given the severity of the shock and the widespread impacts already reported. Only 22% have reviewed or adjusted contracts with logistics partners, and just 17% have hedged against currency or fuel price fluctuations, suggesting that financial and contractual risk management may have been under-emphasized.

The qualitative measures cited selectively by firms in open-ended responses included the following:

- Hiring freezes, headcount reductions, and overhead tightening
- Revenue diversification into less-affected markets or customer segments
- Cash flow preservation through inventory reduction, stricter credit terms, and seeking additional capital
- Selective and modest price increases (limited pricing power)
- Proactive supply chain measures (contract clauses, routing adjustments)
- Deferral of expansion plans entirely
- A small minority reporting no action due to lack of impact or suddenness of shock

The gap between budget revisions (54%) and more proactive measures (diversification, scenario planning, hedging at 17–28%) indicates that many CEOs are still in the "wait-and-see" or "cut and hope" phase rather than building structural resilience. The 25% taking no measures at all is a red flag, particularly among businesses with moderate to significant exposure to the conflict.

The 28% engaged in scenario planning should now translate those scenarios into concrete playbooks with assigned responsibilities and decision triggers. For the 25% taking no measures, the urgency is high. Even basic steps such as reviewing key supplier locations, increasing safety stock for essential components, or running a cash flow stress test would reduce vulnerability. The low uptake on hedging (17%) and logistics contract review (22%) represents missed opportunities as well as high costs due to small hedging markets.

## Preparations for Escalation or Prolonged Instability

Businesses with significant energy or currency exposure should revisit hedging programs, and those reliant on complex supply chains should review force majeure and pricing clauses in logistics contracts. Overall, the response pattern suggests that while most CEOs have acknowledged the problem through budget cuts, a significant gap remains in building the operational and financial resilience needed for a protracted conflict.

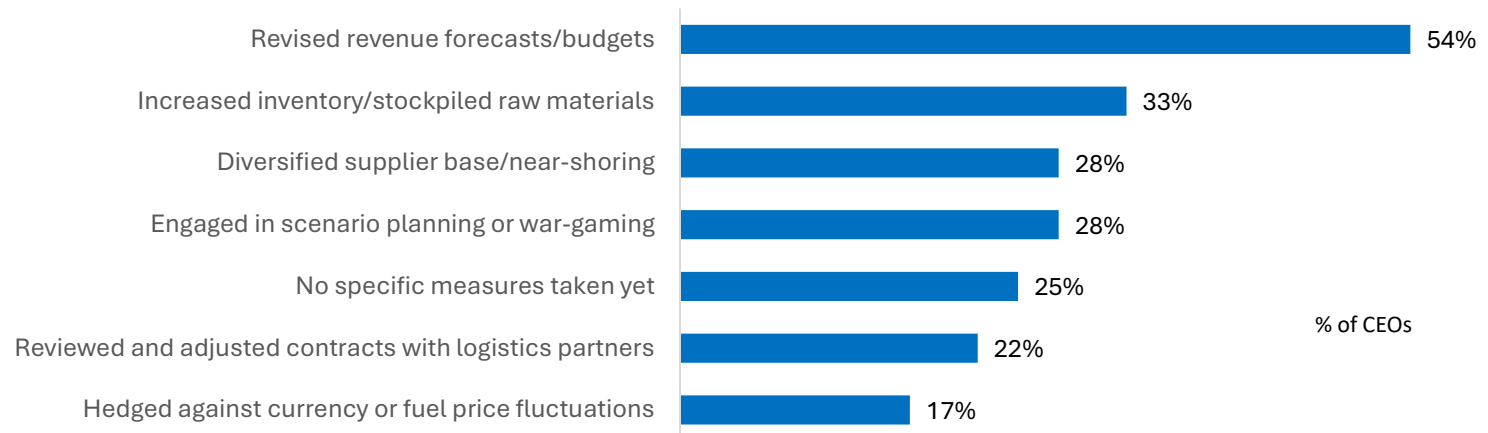
The response actions reveal a clear defensive posture with firms prioritizing cost control and operational efficiency above all else, with hiring freezes, headcount reductions, and overhead tightening as primary levers. Simultaneously, many are attempting to diversify revenues by shifting focus to less-affected markets or customer segments, indicating that doubling down on existing channels is seen as risky.

Cash flow preservation is another dominant theme, ranging from inventory reduction, stricter credit terms, to seeking additional capital. It underscores anxiety about liquidity in an uncertain environment. Pricing power appears limited but selectively exercised, with modest increases rather than aggressive pass-through of costs.

Notably, a handful of firms are taking proactive supply chain measures (e.g., contract clauses, routing adjustments), while others are deferring expansion plans entirely. A small but meaningful minority report no action, either due to lack of impact or because the shock was too sudden to hedge. Overall, the prevailing strategy is survival-oriented retrenchment rather than opportunity-seeking, with a strong bias toward liquidity, flexibility, and caution.

Figure 19. Among defensive measures, budget cuts lead

### Measures taken to safeguard against prolonged Middle East conflict



## Policy Support Priorities to Counter Crisis

CEOs were asked to rank six potential policy support measures in order of priority. The results reveal where businesses see the greatest need for government intervention in response to the Middle East conflict and its economic fallout.

The ranking is strikingly clear, where the CEOs overwhelmingly prioritize immediate cost relief over longer-term structural assistance. Fuel/transportation subsidies or cost relief is the top priority for 44% of CEOs (Rank 1) and receives a combined 80% of responses in the top three ranks. This aligns directly with earlier findings that 67% of CEOs reported significant or moderate energy cost impacts and 64% faced higher freight and logistics costs.

Tax deferments or rebates ranks second, with 23% placing it as their top priority and a combined 80% in the top three ranks. This reflects a desire for cash flow relief rather than direct subsidies, consistent with the cash preservation theme observed in the preparation measures. Access to soft loans or working capital financing follows closely, with 20% ranking it first and a combined 71% placing it in the top three. This underscores anxiety about liquidity, particularly among the 37% of CEOs with less than four months of cash runway.

At the bottom of the priority list are longer-term or more complex policy interventions. Trade facilitation/export credit insurance receives only 2% of Rank 1 votes, with the highest concentration (28%) at Rank 4. Bilateral diplomacy to secure trade routes is even less prioritized, with only 3% ranking it first and 30% placing it at Rank 5, suggesting that CEOs see this as a government-to-government issue beyond their immediate concern. Assistance in diversifying into new markets is the lowest-ranked measure, with 33% placing it at Rank 6, indicating that most CEOs are focused on surviving the current crisis rather than pursuing expansion into unfamiliar markets.

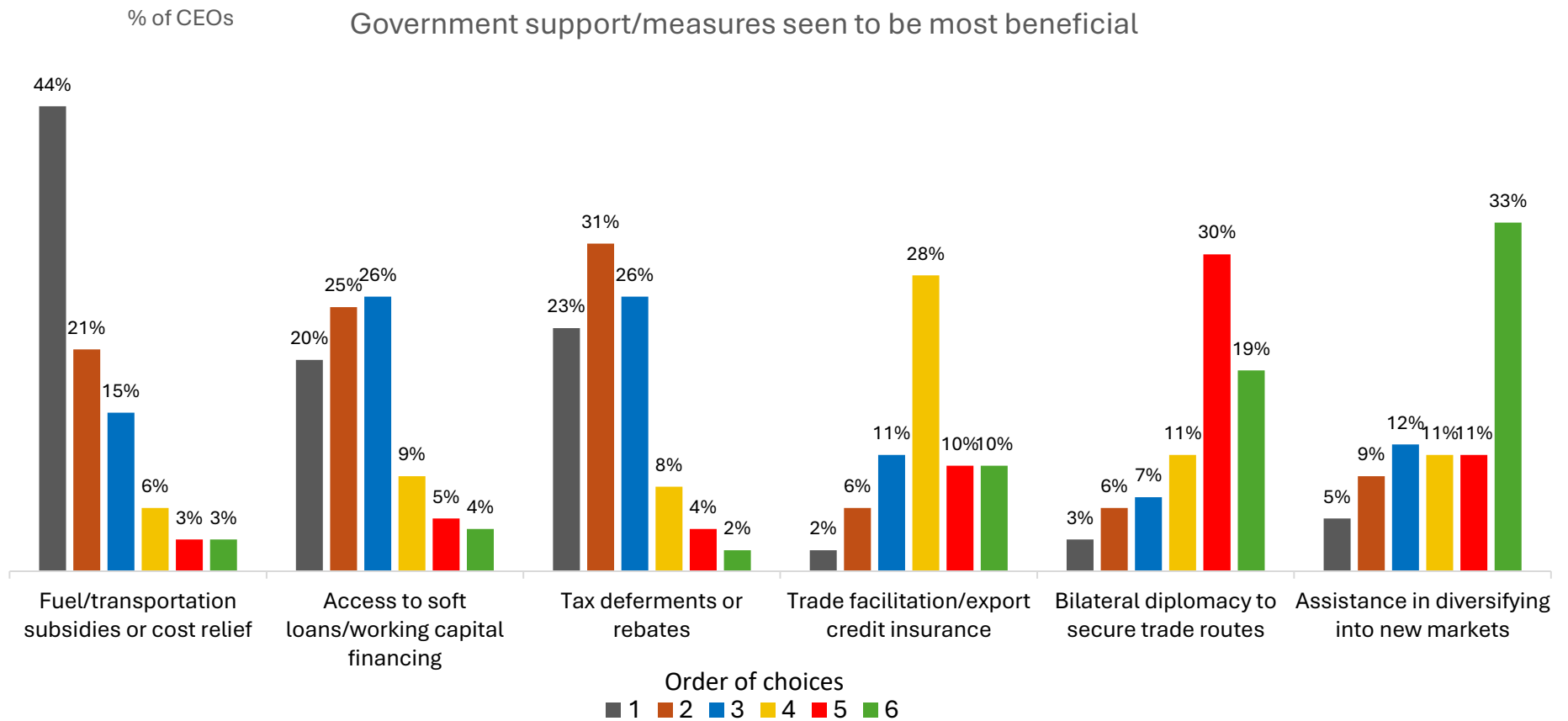
The stark divide between the top three measures (cost relief, tax deferrals, soft loans) and the bottom three (trade facilitation, diplomacy, market diversification) reveals that CEOs are in a defensive, short-term mode. They want help managing immediate cash and cost pressures, not strategic assistance for repositioning.

For policymakers, the message is unambiguous: businesses need immediate cost and cash flow relief, not long-term development assistance. Fuel and transportation subsidies (44% top priority) should be the first lever considered, as energy costs are the most pervasive and immediate headwind. Tax deferments and rebates (23% top priority) and soft loans (20% top priority) are close seconds, reflecting a broad-based need for liquidity support. These three measures alone capture 87% of all Rank 1 votes.

## Policy Support Priorities to Counter Crisis

The very low priority assigned to trade facilitation, diplomatic efforts, and market diversification suggests that while these may be strategically important at a national level, CEOs do not see them as directly helpful in the current quarter. Policymakers should not mistake this lack of prioritization for lack of importance; rather, it indicates that businesses are focused on survival and will engage with longer-term support only after immediate pressures ease. For now, the most effective policy response would be a package centered on energy cost relief, tax payment flexibility, and accessible working capital facilities delivered quickly and with minimal bureaucratic friction.

Figure 20. Immediate Cost Relief Tops the Agenda, Long-Term Assistance Lags



## Keeping Abreast with the Digital Economy

### Progress in AI Adoption for Competitive Advantage

CEOs were asked to what extent they agree with the following statement regarding their company's efforts to leverage AI for competitive advantage: "My company is able to find suitable AI providers and solutions." The question captures both the ability to identify effective AI partners and the realization of tangible business value.

The distribution reveals that AI adoption is still in its early to middle stages for the vast majority of CEOs. Nearly half (46%) are neutral, indicating they are still evaluating options and have not yet committed to a specific path or provider. This suggests a widespread "wait-and-see" posture, consistent with the broader theme of caution observed throughout the survey.

A combined 18% of CEOs disagree with the statement (5% strongly, 13% somewhat), meaning they are either struggling to find suitable AI providers or have not yet seen a clear return on their AI journey. This group likely require more evidence or external support before investing further.

On the positive side, 35% of CEOs agree with the statement (24% somewhat, 11% strongly). Among these, the 11% who strongly agree have successfully integrated AI solutions that provide a clear competitive edge. The 24% who somewhat agree are beginning to see operational benefits but likely have not yet scaled AI across their organizations.

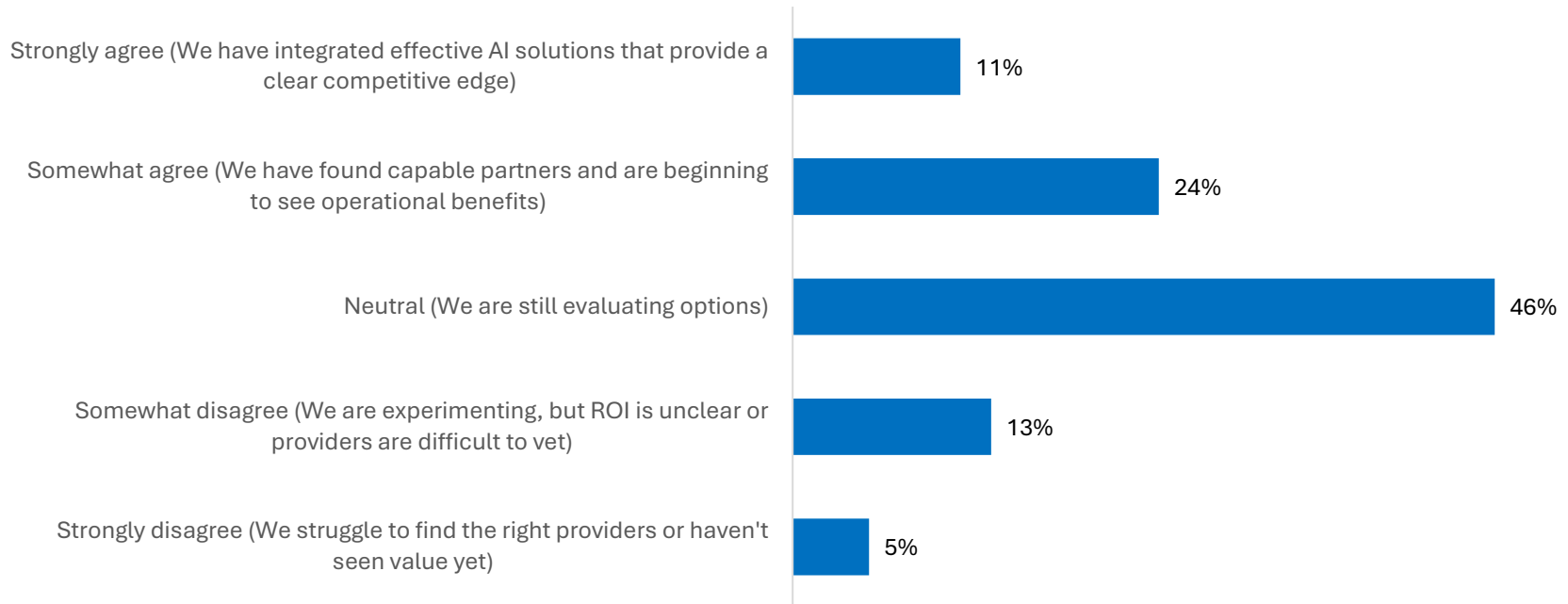
The large neutral group (46%) is the most striking finding. Unlike the "no measures taken" responses seen elsewhere in the survey, neutrality here does not necessarily indicate inaction. Instead, it reflects that many CEOs are actively evaluating AI but have not yet reached a conviction point, either because the technology landscape is moving quickly, provider quality varies widely, or the ROI case remains unproven for their specific business context.

Across all groups, the large neutral group suggests that AI adoption is not yet a differentiator for most firms. This presents both a risk and an opportunity. Companies that move decisively from evaluation to execution over the next 12 months could gain a significant edge over competitors still stuck in the discovery phase. Conversely, those that remain neutral for too long risk falling behind as AI becomes a crucial productivity and competitive tool.

## Keeping Abreast with the Digital Economy

Figure 21. Evaluation Over Execution: Most CEOs Still in the Discovery Phase

### Company's efforts to leverage on AI



## Keeping Abreast with the Digital Economy

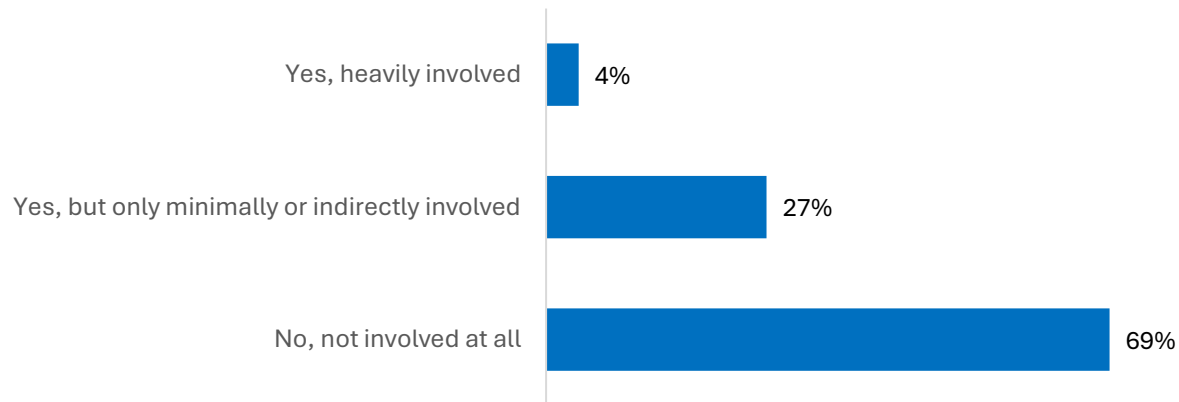
### Involvement in Data Centres and Resource Concerns

CEOs were asked about their company's involvement with data centres in Malaysia, amid growing concerns that the upsurge in such facilities poses a real and imminent strain on the country's water and energy resources. The question captures direct and indirect exposure to an issue that has sparked calls to push back on further construction.

More than two-thirds of CEOs (69%) report no involvement with data centres, while 27% have minimal or indirect involvement, and only 4% are heavily involved. At face value, this suggests data centre resource strain is a niche concern. However, the risks of water and energy shortages, rationing, price hikes, or regulatory restrictions could affect all businesses, not just data centre operators.

Figure 22. A Niche Issue for Most, but Systemic Risks Loom

### Company involvement in data centres



## Keeping Abreast with the Digital Economy

### Digital Banking Adoption at Personal and Company Levels

#### Personal

CEOs were asked about their personal use of digital banks in Malaysia. Bank Negara Malaysia awarded five digital banking licences in 2022, and as of 2026, all five are fully operational. The first question captures overall adoption rates among CEOs as individual customers. The second question, directed at those who have adopted, identifies which services they have used.

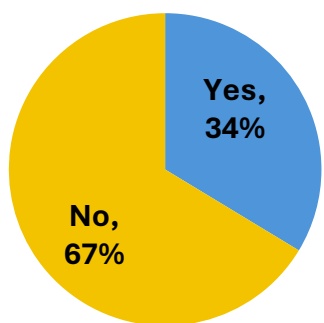
As shown in Figure 23, one-third of CEOs (34%) have personally used or currently use a digital bank, while two-thirds (67%) have not. Among adopters, usage is heavily concentrated in basic transactional and personal financial services. Savings accounts or e-wallets dominate at 82%, followed by bill payments and fund transfers at 44%. Debit or prepaid card usage stands at 26%, while only 11% have used personal loans or financing, which is the most complex and risk-sensitive product.

The 34% adoption rate among CEOs, who are typically more financially sophisticated and open to innovation, suggests that digital banks have achieved meaningful but not yet mainstream penetration. The low uptake on lending products (11%) indicates that digital banks have not yet displaced traditional banks for credit, likely due to tighter underwriting, lower risk appetite, or customer preference for established relationships when borrowing.

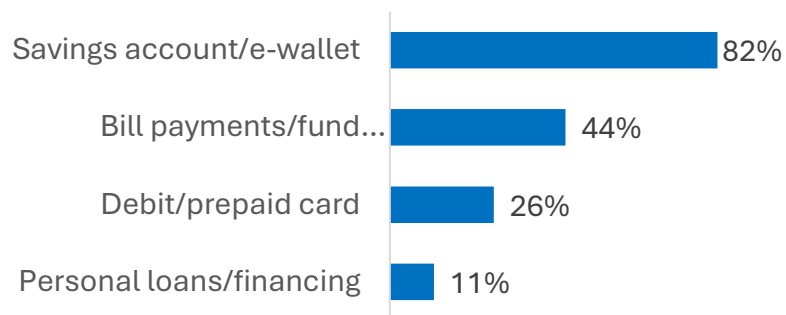
The high usage of savings and payment services (82% and 44%) shows that digital banks have successfully captured everyday banking needs. Still, the low lending uptake (11%) suggests a gap in product stickiness and revenue diversification.

Figure 23. At the Personal Level, One-Third Have Adopted, Savings and Payments Lead

#### Customer of Digital Banks at Personal Level



#### Type of digital banking services used



## Keeping Abreast with the Digital Economy

### Digital Banking Adoption at Personal and Company Levels

#### Company

CEOs were asked whether their business has established a formal relationship with any of Malaysia's five licensed digital banks; for those who answered yes, a follow-up question identified which services their company uses. The results are presented in Figure 24.

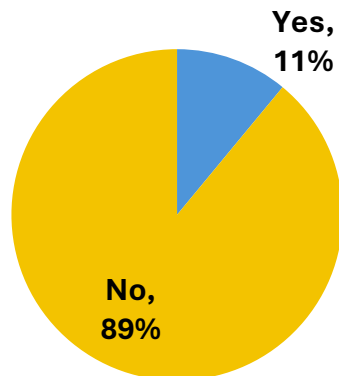
At the company level, adoption remains low but not negligible. Only 11% of businesses have established a formal relationship with a digital bank, compared with 34% personal adoption among CEOs. This gap is expected, as businesses typically face higher switching costs, greater compliance requirements, and deeper reliance on existing banking relationships than individuals.

Among the 11% of adopting businesses, usage patterns are more balanced than in the personal segment. Business account and transaction banking leads at 56%, but business financing and loans are close behind at 41%. This is a stark contrast to personal lending uptake (11%). It suggests that digital banks have made meaningful inroads into small and medium enterprise (SME) lending, likely offering faster approval, simpler documentation, or competitive rates compared with traditional banks. Foreign currency services lag at 24%, reflecting either lower demand or less mature offerings in this area.

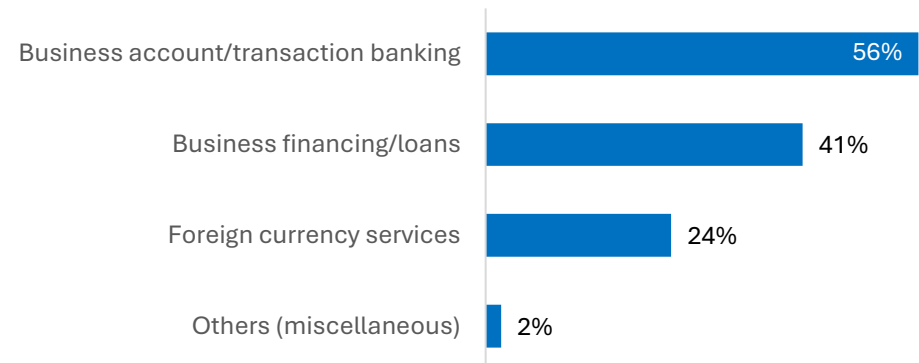
The 11% company adoption rate, while modest, is significant for an industry that launched only recently. It indicates that digital banks are gaining traction among early-adopting businesses, particularly for financing—a higher-value, stickier product than basic transaction accounts.

Figure 24. Early Adoption, Lending Gaining Traction at Company Level

#### Use of Digital Bank Services At Company Level



#### Digital Bank Services Used at Company Level



# VISTAGE

## CEO CONFIDENCE INDEX

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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 more than 40 countries with over 45,000 members worldwide.

In Malaysia, more than 1,500 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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