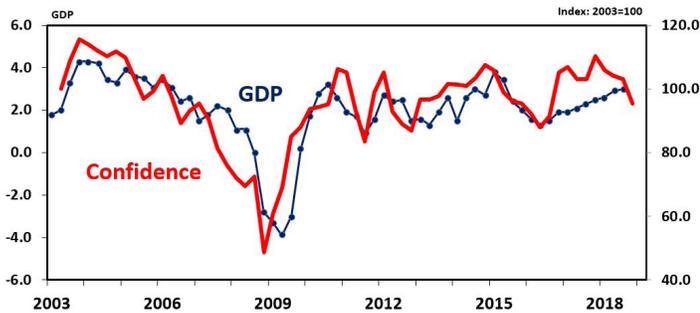


CEO optimism sinks.

Economic confidence among CEOs continued to decline according to the Q4 2018 survey, reversing all of the gains recorded since the election of President Trump. The Vistage CEO Confidence Index was 95.4 in Q4, down from 103.0 in Q3 and last year's fifteen-year peak of 110.3. The plunge was due to weakening evaluations of the national economy. Fewer CEOs reported that current economic conditions had improved (44%) compared to last quarter's 64%. Even more notable is the drop in the increase of CEOs who expected the economy to weaken more than it will strengthen during the year ahead. In the face of weakening growth, more CEOs anticipate a slowdown in the pace of revenue gains and more plan to reduce their spending on new fixed investments. Notably, hiring intentions as well as profit expectations showed only small recent variations, although both were below levels recorded earlier this year. The largest disconnect is between the pessimistic outlook for the national economy and the modest declines in how CEOs view their own prospects. While a divergence between financial markets and the real economy is not uncommon over short period of time, there is little doubt that they will converge in the future. Overall, the data suggest that economic uncertainty has begun to negatively affect firms. Unfortunately, multiple sources of uncertainty now exist, including prospects for future monetary and fiscal policies as well as a potential global slowdown, making subsequent declines more likely than a quick snapback in optimism.

Vistage CEO Confidence Index and Year-to-Year Changes In GDP



Vistage CEO Confidence Index



The Q4 2018 Vistage CEO Confidence Index was 95.4, down from 103.0 in Q3.

Trends in the Vistage CEO Confidence Index show a close correspondence with year-to-year changes in real GDP published by the U. S. Bureau of Economic Analysis from the majority of the period — see the chart on the left. This correspondence shows an increasing divergence beginning in early 2017. The gap was closed by an increase in GDP growth and a decline in confidence. In any case, the data indicates a slowing pace of economic growth during 2019.

— Analysis provided by Dr. Richard Curtin, University of Michigan

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
<p>44% of CEOs said the economy had recently improved, a 20 point drop from last quarter.</p>	<p>70% of CEOs expect increased revenues in the year ahead.</p>	<p>43% of CEOs expect to increase investment expenditures in the next year.</p>
<p>14% of CEOs expect the economy to post additional gains during the year ahead.</p>	<p>61% of CEOs expect increased profits in the year ahead.</p>	<p>65% of CEOs plan to expand their workforce in the year ahead.</p>

CEOs have pessimistic growth prospects.

Just 44% of all CEOs reported that conditions in the overall economy had recently improved, down from last quarter's 64% and 66% in last year's 4th quarter. When asked about prospects for the national economy in the year ahead, just 14% anticipated improvement, down from 25% last quarter and 45% a year ago. This plunging confidence in the national economy was due to a number of reasons, including rising interest rates, higher inflation and tariffs, a newly divided Congress, and a global slowdown. 33% of CEOs reported a pessimistic outlook for the economy in the coming year, which was the highest level since the start of the Great Recession. However, this negative economic outlook was still well below the 51% recorded in Q4 2007 or the 61% in the Q4 2018.

Revenue expectations and planned investment spending drop.

The proportion of firms who expected gains in revenues fell to its lowest level in two years, although gains were still expected by seven-in-ten firms. The slide during the past year has been large, with the proportion who expected gains falling to 70% from last quarter's 75% and last year's 83%. Planned investment spending also declined in the recent survey. Increased spending on fixed investments fell to 43%, down from 50% last quarter and 54% last year. Few firms, however, planned actual cutbacks — just 8%. So far, the small retrenchment in investment spending will only have a modest impact on economic growth.

Hiring and profit outlook remains stable.

Despite concerns about prospects for the economy, CEOs indicated expansive hiring plans in the year ahead. Increases in the total workforce are planned by 65% of all firms, and while these expansion plans are down from the fifteen year peak of 75% set in the prior quarter, it was still higher than any other survey since mid-2003. To attract and maintain their workforce, CEOs anticipate that higher wages and benefits will be required, and they are also focused on developing and training the workforce they have in place. Recent difficulties in workforce expansion may account for the reluctance of firms to slow the pace of hiring. Profit expectations remain strong despite softening of anticipated revenues, largely due to the fact that 54% of CEOs plan to increase the prices of the products or services in the year ahead. The positive hiring intentions of firms as well as increased wages will support consumer spending that will act to keep the overall economy expanding.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	559	44%
	Remained about the same	503	40%
	Worsened	187	15%
	Don't know/No opinion	8	1%
2. During the next 12 months, do you expect the overall economic conditions in the U.S. will be better, about the same, or worse than now?	Better	172	14%
	About the same	655	52%
	Worse	411	33%
	Don't know/No opinion	19	2%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	880	70%
	Remain the same	287	23%
	Decrease	79	6%
	Don't know/No opinion	11	1%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	762	61%
	Remain the same	363	29%
	Worsen	124	10%
	Don't know/No opinion	8	1%
5. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	675	54%
	About the same	517	41%
	Decrease	54	4%
	Don't know/No opinion	11	1%

Question	Answer	Respondents	
		#	%
6. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	544	43%
	Remain the same	592	47%
	Decrease	103	8%
	Don't know/No opinion	18	1%
7. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	818	65%
	Remain the same	382	30%
	Decrease	52	4%
	Don't know/No opinion	5	0%
8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q1 2019	212	26%
	Q2 2019	161	20%
	Q3 2019	50	6%
	Q4 2019	4	0%
	Steadily throughout the next 12 months.	391	48%
9. If hiring workers has become more difficult, what are you doing in response? Please select all that apply.	Boosting wages	796	65%
	Adding employee benefits	445	36%
	Developing existing workforce	871	71%
	Slowing or delaying expansion plans	110	9%
	Reducing marketing activities	50	4%
	Adjusting fulfillment/delivery timelines	117	9%
	Increasing investment in equipment to automate tasks	434	35%
	Shifting work to another location	141	11%
	Allowing employees to work remotely	309	25%
	Partnering with organizations to create apprenticeship or internship programs	267	22%
	None of the above	77	6%
Other, please specify	114	9%	

Question	Answer	Respondents	
		#	%
10. Approximately what percent of your total annual revenue will you allocate to technology solutions over the next 12 months, not including salaries?	Less than 1%	205	16%
	1-1.99%	298	24%
	2-2.99%	213	17%
	3-3.99%	148	12%
	4-5%	140	11%
	Greater than 5%	165	13%
	Don't know	79	6%
11. Has your company experienced a cyber attack or threat in the past 12 months?	Yes, have had an incident in the last 12 months	339	27%
	No, have not had an incident in the last 12 months	699	56%
	Don't know/no threat detected	210	17%
12. Does your company have a defined cyber risk strategy that is documented and communicated to your executive leaders?	Yes - our strategy is current and reviewed at least annually	534	43%
	Yes - but the strategy is not current and does not have a scheduled review cycle	210	17%
	No - but we are actively working on a cyber risk strategy	195	16%
	No - our organization does not have a defined strategy	314	25%
13. How are tariffs impacting your business?	Positively impacting my business	56	4%
	No impact on my business	654	52%
	Negatively impacting my business	540	43%

Question	Answer	Respondents	
		#	%
14. During your company's last fiscal year, what were its total revenues?	Less than 500k	16	1%
	500-999k	30	2%
	1-4 Million	201	16%
	5-9 Million	214	17%
	10-20 Million	231	18%
	21-49 Million	258	21%
	50-99 Million	143	11%
	100-249 Million	111	9%
	250-499 Million	31	2%
	1+ Billion	9	1%
15. During your company's last fiscal year, what was its total employment?	1-9 employees	95	8%
	10-19 employees	147	12%
	20-49 employees	268	21%
	50-99 employees	265	21%
	100-499 employees	385	31%
	500-999 employees	60	5%
	1000-4999 employees	31	2%
	None	1	0%
	5000-9999 employees	1	0%
	10000+ employees	4	0%