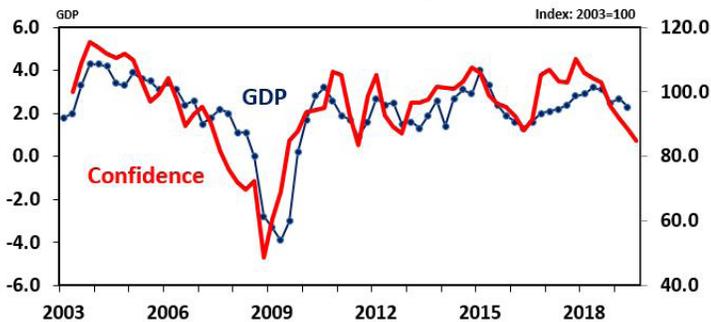


CEO confidence falls to lowest level since 2011.

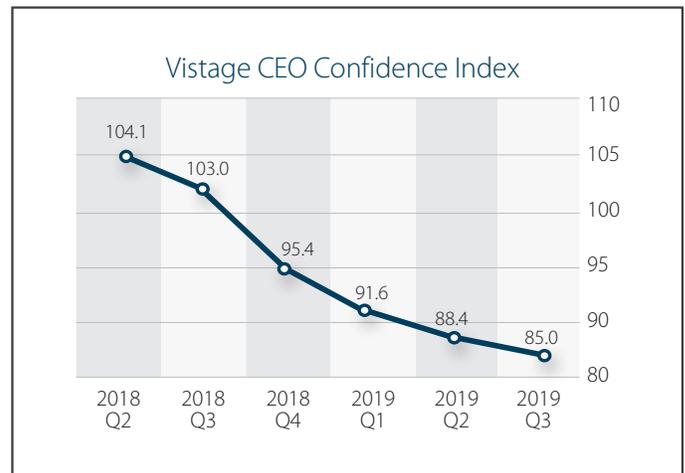
Overall confidence among CEOs of small and midsize businesses declined for the 7th consecutive quarter according to a survey conducted in Q3 2019. The Vistage CEO Confidence Index was 85.0 in the 3rd quarter of 2019, down 3.8% from the prior quarter and 17.5% from last year's 3rd quarter survey. While the overall decline points toward a slower pace of growth in the economy during the year ahead, the recent falloff does not indicate that CEOs anticipate a recession. The Great Recession falloff from peak-to-trough was a more substantial 58% drop, compared with today's drop of 23% from the Q4 2017 peak. The current decline, however, is comparable to the early decline recorded prior to the last recession.

There are a number of domestic and international issues whose favorable resolution could push confidence higher in the months ahead. At present, however, uncertainty about how and when these issues will be resolved will continue to erode confidence. Tariffs have damaged firms, with 41% of CEOs reporting that tariffs have negatively impacted their business, and 33% reporting that their business was affected by the tariffs that took effect at the start of September. Importantly, while the falloff in evaluations of the national economy has been substantial, only modest declines have been recorded in expected changes in revenues, profits, and planned hiring. Nonetheless, firms have embraced a precautionary outlook which will make their forward planning more defensive rather than expansive.

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



Vistage CEO Confidence Index



The Q3 2019 Vistage CEO Confidence Index was 85.0, the lowest level since Q3 2011.

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. This correspondence shows that the expectations of firms indicate a significant slowdown in the pace of economic growth in the second half of 2019 and early 2020.

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

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
<p>21% of CEOs said the economy had recently improved, down 10 points from 31% last quarter.</p>	<p>61% of CEOs expect increased revenues in the year ahead, the lowest percentage since 2009.</p>	<p>37% of CEOs expect to increase investment expenditures in the next year, the lowest in 7 years.</p>
<p>39% of CEOs expect the national economy to worsen in the year ahead, and just 12% expect improved conditions.</p>	<p>51% of CEOs expect increased profits in the year ahead, a 10 point drop from 61% last year.</p>	<p>57% of CEOs plan to expand their workforce in the year ahead, the only factor to increase from last quarter.</p>

Economic prospects worsen.

Just 21% of all CEOs reported that economic conditions had recently improved, down from 31% last quarter, and a mere one-third of the 64% recorded a year ago. Firms have expressed even greater pessimism about the outlook for the economy in the year ahead: 39% expect the economy to worsen, the highest proportion since the closing quarter of 2008. In comparison, just 12% expect improved conditions in the overall economy, hardly changed from last quarter's 13% and the lowest level since late 2008. It should be noted that when the last recession started, the proportion who expected worsening economic conditions stood at 51%, significantly greater than the 39% recorded in the Q3 survey.

Outlook for revenues and profits continues to soften.

61% of all CEOs voiced expectations of increased revenues in the 3rd quarter. While this is marginally below last quarter's 64%, it is well below last year's 75% and the lowest reading since 2009. Just 10% of CEOs anticipate revenue declines, which is in part due to the 44% who expect to raise prices for their products or services. Profit increases are anticipated by 51% of CEOs, just below last quarter's 54% but below last year's 61%. Importantly, just 14% of all firms anticipate outright declines in profits during the year ahead.

Hiring plans remain strong while investment spending diminishes.

Hiring plans posted a marginal increase in the Q3 survey and the smallest year-to-year decline of all the factors of the Index. Workforce expansion is planned by 57% of all firms, only marginally above last quarter's 56%; just 5% expected to reduce their workforce, down from 7% last quarter. Although hiring plans are still below last year's level, the current levels indicate that firms have only marginally reduced their efforts to hire, despite having to offer higher wages to remain competitive (37%), provide cost of living increases (17%), offer performance based raises (15%) and take steps to increase retention (21%).

Planned increases in expenditures for new fixed investments were anticipated by just 37% of CEOs, the lowest proportion since the last half of 2012. Investment spending in the past year has shifted toward maintaining spending at current levels (50%) rather than to reduce overall expenditures (12%).

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	322	21%
	Remained about the same	773	51%
	Worsened	416	27%
	Don't know/No opinion	7	0%
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	177	12%
	About the same	716	47%
	Worse	598	39%
	Don't know/No opinion	27	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	932	61%
	Remain the same	422	28%
	Decrease	153	10%
	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	773	51%
	Remain the same	523	34%
	Worsen	213	14%
	Don't know/No opinion	9	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	666	44%
	Remain the same	733	48%
	Decrease	113	7%
	Don't know/no opinion	5	0%

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	560	37%
	Remain the same	752	50%
	Decrease	188	12%
	Don't know/No opinion	18	1%
7. Has your firm's total number of employees increased, remained the same, or decreased during the past 12 months?	Increased	834	55%
	Remained the same	486	32%
	Decreased	196	13%
	Don't know/No opinion	2	0%
8. Have you outsourced operations or manufacturing in the last 12 months?	Yes	354	23%
	No	1157	77%
9. If your wages have increased in the last 12 months, what is the reason for the increase?	Regular cost of living increases	261	17%
	More competitive wages for hiring	559	37%
	Drive employee retention	319	21%
	Performance-based raises	230	15%
	Other	35	2%
	N/A	111	7%
10. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	858	57%
	Remain the same	573	38%
	Decrease	77	5%
	Don't know/no opinion	7	0%
11. When do you plan to increase your firm's total number of employees over the next 12 months?	Q4 2019	223	26%
	Q1 2020	174	20%
	Q2 2020	94	11%
	Q3 2020	21	2%
	Steadily throughout the next 12 months.	346	40%

Question	Answer					Respondents	
12. Rate the importance of the following in relation to your talent management challenges, 1 being least important and 5 being very important.	5 Very important	4 Important	3 Moderately important	2 Slightly important	1 Least important		
Retaining existing talent	76%	21%	4%	0%	0%		
Attracting qualified talent	65%	28%	5%	1%	0%		
Creating a strong culture	64%	28%	6%	1%	0%		
Training and development of employees	40%	46%	13%	2%	0%		
Improving employee engagement	40%	46%	13%	2%	0%		
Managing performance	36%	48%	14%	2%	0%		
Creating growth opportunities for employees	26%	46%	25%	3%	0%		
Refining organizational structure	19%	29%	33%	13%	7%		
Succession planning	18%	26%	26%	17%	13%		
13. Rate your level of agreement to the following statements about your organizational culture and values:	5 Strongly agree	4 Agree	3 Neither agree or disagree	2 Disagree	1 Strongly disagree		
Culture is critical to our company's performance and success.	63%	31%	5%	1%	0%		
The development and promotion of our organizational culture is a priority.	40%	40%	16%	3%	0%		
Our organizational values are well defined.	38%	43%	13%	5%	1%		
Our culture exemplifies our values.	28%	50%	17%	4%	1%		
Our organizational values are well communicated.	25%	42%	23%	9%	1%		
I'm satisfied with the strength of our organizational culture.	11%	44%	24%	19%	2%		
14. How are tariffs impacting your business?	Positively impacting my business					52	3%
	Not impacting on my business					833	55%
	Negatively impacting my business					623	41%
15. Is your business affected by the new U.S. tariffs that took effect September 1, 2019?	Yes					489	33%
	No					1014	67%

Question	Answer	Respondents	
		#	%
16. During your company's last fiscal year, what was its total employment?	1-9 employees	125	8%
	10-19 employees	178	12%
	20-49 employees	339	22%
	50-99 employees	315	21%
	100-499 employees	442	29%
	500-999 employees	76	5%
	1000-4999 employees	37	2%
	5000+ employees	5	0%
	17. During your company's last fiscal year, what were its total revenues?	Less than 500k	16
500-999k		38	3%
1-4 Million		268	18%
5-9 Million		234	15%
10-20 Million		300	20%
21-49 Million		310	20%
50-99 Million		169	11%
100-249 Million		116	8%
250-499 Million		45	3%
500-999 Million		13	1%
1+ Billion		9	1%