

CEO economic confidence reigns.

A rebound in CEOs' perceptions of economic growth combined with a more favorable outlook for the economy has created a new optimism following the presidential election. The Vistage CEO Confidence Index was 106.9 in the 1st quarter 2017 survey, slightly above the 105.2 in last quarter's survey, and well above the 3rd quarter reading of 91.4. Although the surge in optimism has thus far only restored confidence to the highs recorded following the Great Recession, the return of optimism to the highs of the past few years has meant that CEOs anticipate favorable trends in their revenues and profits. While most firms would like the new administration's policies implemented as soon as possible, a slower start has not diminished their willingness to increase fixed investment spending and expand their workforce. To be sure, not all firms will be pleased with the details of new policies and changes in regulations. Stronger economic growth can ease any potential concerns about the details or the timing of their implementation.

Economic growth rebounds. CEOs reported the economic rebound had already begun, and anticipated continued robust growth in the year ahead. Among all CEOs, 59% reported the economy had recently improved, up from 42% last quarter and just 27% in last year's 1st quarter. Moreover, 57% of CEOs expected the economy to post additional gains during the year ahead, unchanged from last quarter but more than twice the 23% who expected improvement a year ago. Although the outlook for the economy was unchanged from last quarter, the last two quarters recorded the most favorable outlook for the economy since the start of 2004.

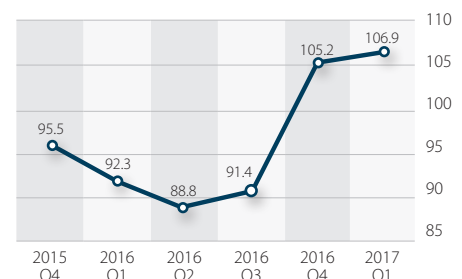
Strong investment spending. Increased investments in plant and equipment were planned by 47% of all firms, barely below the decade peak of 49% set in the closing quarter of 2014. There is no clearer indication of an improved economic outlook, than the fact that CEOs have become more willing to invest in new productive capacity in anticipation of greater future sales increases.

Robust hiring plans. For the past two quarters, 60% of all CEOs planned to expand their workforce. There has been only one other time this two-quarter record was topped in the past decade, which occurred at the start of 2015. Taking into account increases as well as decreases, the latest survey had the most positive net employment intentions in ten years, dating back to the start of 2006.

Record revenues and profits. Revenue gains were expected by 77% of CEOs, barely below last quarter's 78%—the most positive revenue expectation in the past ten years. Rising profits were expected by 64% of all firms, identical to last quarter, which was also the highest proportion recorded since the start of 2006.

Firms' views on new debt. One might anticipate that given the resurgence in optimism, firms would be more willing to take on more debt to expand their business. Willingness to take on more debt in order to grow their business was expressed by half (51%) of all CEOs in the 1st quarter survey. The choice of obtaining capital from loans or equity was clearly tilted toward loans: just 13% favored equity, while 47% favored loans, and 40% favored using a combination of equity and loans. Conventional banks were reported by 3 in 4 firms as the most likely source of loans. Just 7% had an SBA loan, half of the 15% that had an SBA loan in the past, and 13% were currently considering taking out an SBA loan.

Vistage CEO Confidence Index



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

Vistage CEO Confidence Index Highlights

59% of CEOs said the economy had recently improved, up from 42% last quarter, and just 27% in last year's 1st quarter.

77% of CEOs expect increased revenues in the year ahead.

57% of CEOs expect the economy to post additional gains during the year ahead, more than twice the 23% who expected improvement a year ago.

64% of CEOs expect increased profits in the year ahead.

60% of CEOs plan to expand their workforce in the year ahead.

47% of CEOs expect to increase investment expenditures in the next year, barely below the decade peak of 49% set in the closing quarter of 2014.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the U.S. improved, remained the same, or worsened?	Improved	902	59%
	About the same	556	36%
	Worsened	71	5%
	Don't know/no opinion	6	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	873	57%
	About the same	456	30%
	Worse	173	11%
	Don't know/no opinion	33	2%
3. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	720	47%
	About the same	670	44%
	Decrease	135	9%
	Don't know/no opinion	10	1%

Question	Answer	Respondents	
		#	%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease for the next 12 months?	Increase	1,186	77%
	About the same	255	17%
	Decrease	88	6%
	Don't know/No opinion	6	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	986	64%
	About the same	417	27%
	Worsen	125	8%
	Don't know/No opinion	7	0%
6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	663	43%
	About the same	770	50%
	Decrease	95	6%
	Don't know/No opinion	7	0%
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	914	60%
	About the same	535	35%
	Decrease	79	5%
	Don't know/No opinion	7	0%
8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q2 2017	300	20%
	Q3 2017	184	12%
	Q4 2017	68	4%
	Q1 2018	41	3%
	Steadily throughout the next 12 months.	484	32%
	I do not plan to increase my total number of employees in the next 12 months.	458	30%

Question	Answer	Respondents	
		#	%
9. Do you have now or have you ever considered taking out a Small Business Administration (SBA) loan?	I have taken out an SBA loan in the past.	228	15%
	I have an SBA loan now.	100	7%
	I am considering taking out an SBA loan.	203	13%
	Not applicable	985	65%
10. Are you finding it easier or more difficult to obtain credit for your business than it was a year ago?	It is now easier to obtain credit for my business.	485	32%
	It is now more difficult to obtain credit for my business.	213	14%
	Not applicable	657	43%
	Other	158	10%
11. Are you more willing to take on debt today than you were a year ago in order to grow your business?	Yes	777	51%
	No	738	49%
12. Where do you go when you need to access capital?	Conventional bank loan	1,122	74%
	Loan advisor	33	2%
	Investment banker	54	4%
	Venture capital	30	2%
	Private lender	88	6%
	Friends or family	35	2%
	Other	153	10%

Question	Answer	Respondents	
		#	%
13. If you are considering investing in your business, would you access capital through equity, debt, or both?	Debt	692	47%
	Equity	187	13%
	Both	594	40%
14. During your company's last fiscal year, what was its total employment?	No employees	7	0%
	1-9 employees	108	7%
	10-19 employees	199	13%
	20-49 employees	407	27%
	50-99 employees	293	19%
	100-499 employees	416	27%
	500-999 employees	64	4%
	1000-4999 employees	30	2%
	5000-9999 employees	4	0%
	10000+ employees	7	0%
15. During your company's last fiscal year, what were its total revenues?	Less than 500k	27	2%
	500-999k	36	2%
	1-4 Million	276	18%
	5-9 Million	284	19%
	10-20 Million	298	19%
	21-49 Million	283	18%
	50-99 Million	164	11%
	100-249 Million	109	7%
	250-499 Million	35	2%
	500-999 Million	13	1%
1+ Billion	10	1%	

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CEO Confidence Index | to mid-sized businesses
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