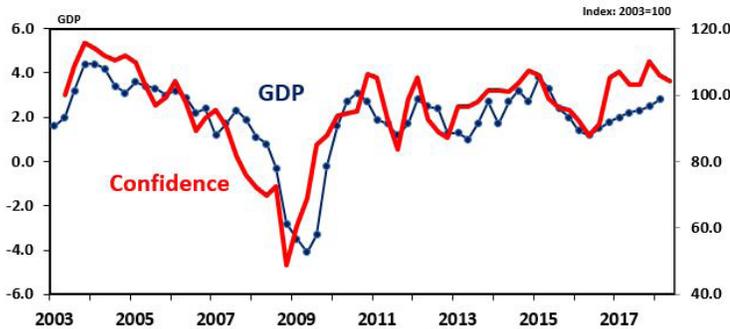


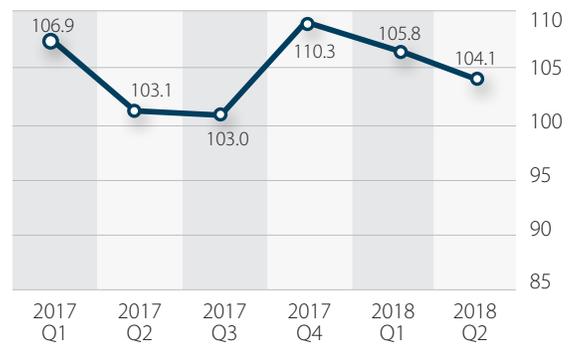
CEO optimism slips from recent peaks; confidence remains at favorable levels.

The overall trend in CEO optimism has remained largely unchanged, maintaining favorable levels over the past year. In Q2 2018, the Vistage CEO Confidence Index was 104.1, between the prior quarter's 105.8 and last year's 103.1. The only quarter that was significantly higher in the past year was Q4 2017, which was elevated due to the expected passage of the tax reform legislation (with the details of the tax reform largely unspecified).

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



Vistage CEO Confidence Index



In Q2 2018 the Vistage CEO Confidence Index was 104.1, between the prior quarter's 105.8 and last year's 103.1.

The minor decline in confidence in Q2 was due to slight falloff from last quarter in investment and hiring intentions as well as projected revenue and profit growth. Importantly, all of these factors were at least as favorable as a year ago.

Of some concern is that CEOs anticipate slowing growth in the national economy during the year ahead. In contrast, many observers now anticipated a stronger pace of economic growth in 2018, with a modest slowdown in 2019. If the 2nd quarter GDP comes in close to the 4% as now expected, CEOs may well change their outlook for the economy. In any event, trends in the Vistage CEO Confidence Index are a bit above the actual pace of GDP growth. Wages, commodities and interest costs will continue to edge upward during the year ahead, putting the emphasis on lowering costs as well as increasing prices.

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

Vistage CEO Confidence Index highlights

64% of CEOs said the economy had recently improved.

78% of CEOs expected increased revenues in the year ahead.

32% of CEOs expect the economy to post additional gains during the year ahead.

62% of CEOs expect increased profits in the year ahead.

61% of CEOs planned to expand their workforce in the year ahead.

48% of CEOs expect to increase investment expenditures in the next year, a 6 point drop from last quarter.

Hiring and investment plans remain strong.

Firms planned a robust expansion of their workforce and investment spending on new plant and equipment, although both fell a bit from the prior two quarters. Those prior quarters were dominated by the anticipation and passage of the tax reform, largely without knowledge of the exact details. The current figures for increased hiring and expanded investments remained consistent with data from the four quarters following President Trump's election.

In Q2 2018, 61% of CEOs planned on increasing employment and 5% planned reductions in their workforce; 48% of CEOs anticipated plans for investment while 8% planned declines. Importantly, both hiring and investment plans in Q2 2018 were unchanged from Q2 2017.

Revenue and profit outlook remain favorable.

Although below the levels recorded in the past two quarters, CEOs were more favorable about future revenues and profits than they were in Q2 last year. 78% of CEOs surveyed expected increased revenues during the year ahead, above last year's 73% while 6% expect a falloff in revenues. 62% of CEOs anticipated increased profits over the next 12 months (just above last year's 60%) while 9% expect declining profits during the year ahead.

Success factors: Efficiency trumps innovation.

CEOs were asked to rate the importance of different factors that would determine the future success of their company. The top-ranked factor was creating operational efficiencies to reduce costs, followed by incremental improvement in their products or services and serving new customers and markets with existing products. Each of these growth strategies involves the core competencies of firms. Conversely, the lowest ranked elements were developing radical innovations and new patentable technologies. While all of these strategies involve some risk, CEOs favored strategies based on known customer and market needs, banking on the higher probability of payoff for their firm.

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. This correspondence shows an increasing divergence beginning in early 2017. The gap will most likely be closed by an increase in GDP growth and a moderation in confidence. The data indicate a continued economic expansion with an uptick in the average rate of GDP growth during 2018 and into 2019.

The anticipated strong GDP growth in Q2 2018 will more closely align expectations with actual outcomes.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	946	64%
	Remained about the same	437	30%
	Worsened	77	5%
	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	467	32%
	About the same	728	50%
	Worse	246	17%
	Don't know/No opinion	26	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	710	48%
	Remain the same	625	43%
	Decrease	122	8%
	Don't know/No opinion	10	1%
4. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1143	78%
	Remain the same	251	17%
	Decrease	69	5%
	Don't know/No opinion	4	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	907	62%
	Remain the same	425	29%
	Worsen	130	9%
	Don't know/No opinion	5	0%

Question	Answer	Respondents	
		#	%
6. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	816	56%
	About the same	599	41%
	Decrease	49	3%
	Don't know/No opinion	3	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	890	61%
	Remain the same	492	34%
	Decrease	69	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?	Q3 2018	261	29%
	Q4 2018	93	10%
	Q1 2019	52	6%
	Q2 2019	21	2%
	Steadily throughout the next 12 months.	463	52%
9. Which business software/application(s) do you expect to invest in over the next 12 months?	CRM (customer relationship management)	484	34%
	ERP (enterprise resource planning)	274	19%
	HCM (human capital management)	158	11%
	Accounting/financial management system	317	22%
	eCommerce	202	14%
	Cybersecurity	330	23%
	Other	125	9%
	None of the above	390	27%

Question	Answer	Respondents	
		#	%
10. Which of the following technologies do you feel will have the most impact on your business in the next 12 months?	Connected devices/Internet of things (IoT)	501	36%
	Artificial intelligence (AI)	247	18%
	Blockchain	85	6%
	Chatbots	65	5%
	Intelligent digital assistants (Amazon Alexa, Apple Siri, Google Assistant, etc.)	91	6%
	None of the above	616	44%
	Other	82	6%
11. In which areas are you currently leveraging AI in your business?	Talent management/hiring	40	20%
	Customer engagement (sales marketing)	90	45%
	Financial reporting	32	16%
	Business operations	101	51%
	Other	27	14%

Question	Answer	Respondents	
		#	%
12. The success of my company primarily depends on:	Creating operational efficiencies that result in reduction of time and/or cost.	963	67%
	Incremental innovation (e.g., improvements on existing products/services).	863	60%
	Serving new customers/markets.	858	60%
	Developing new processes of making or providing existing products or services.	655	46%
	Providing new products/services.	544	38%
	Radical innovation (e.g., novel products/services, major technological breakthroughs).	238	17%
	Developing new technologies (e.g., patents).	207	15%
	13. During your company's last fiscal year, what were its total revenues?	Less than 500k	31
500-999k		25	2%
1-4 Million		257	18%
5-9 Million		232	16%
10-20 Million		283	19%
21-49 Million		294	20%
50-99 Million		170	12%
100-249 Million		111	8%
250-499 Million		40	3%
500-999 Million		14	1%
1+ Billion		10	1%

Question	Answer	Respondents	
		#	%
14. During your company's last fiscal year, what was its total employment?	1-9 employees	120	8%
	10-19 employees	174	12%
	20-49 employees	356	24%
	50-99 employees	282	19%
	100-499 employees	428	29%
	500-999 employees	59	4%
	1000-4999 employees	39	3%
	5000-9999 employees	4	0%
	10000+ employees	2	0%
	None	3	0%

VISTAGE
CEO Confidence Index

Surveying CEOs of small
to mid-sized businesses
since 2003