

Crosswinds buffet small business

CEOs of small business firms report renewed weakness in their outlook for the national economy in the midst of a tightening labor market. Firms expressed increased uncertainty about the ability of President Trump to advance his economic agenda, however this has thus far only had a limited impact on overall confidence. Indeed, firms remain quite confident, expressing more positive expectations than they did a year ago for revenues, profits, investment spending and expanding their workforce. CEOs reported greater difficulty and higher costs for hiring qualified workers, as well as greater hedging of potential risks in their planned investment spending. While these reactions are typical in long expansions — the expansion is celebrating its eighth year in June — business expectations are now more dependent on political rather than economic uncertainties.

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

Vistage CEO Confidence Index highlights

55% of CEOs said the economy had recently improved, slightly below last quarter's 59 percent but more than twice last year's 21 percent.

38% of CEOs expect the economy to post additional gains during the year ahead, down from 57 percent last quarter.

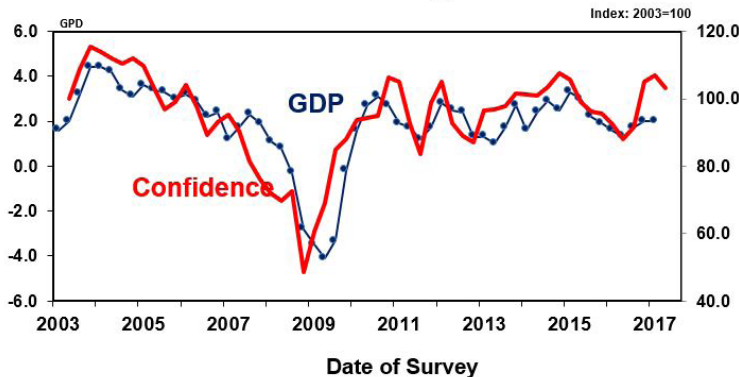
61% of CEOs plan to expand their workforce in the year ahead and 62 percent indicate they are having trouble finding and hiring workers in this tight labor market.

73% of CEOs expect increased revenues in the year ahead.

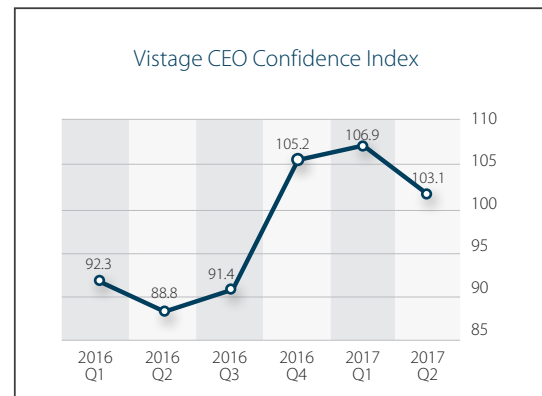
60% of CEOs expect increased profits in the year ahead.

48% of CEOs expect to increase investment expenditures in the next year, closely following the peak of 49 percent set in the closing quarter of 2014.

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



*Since 2003, the Vistage CEO Confidence Index has served as a reliable predictor for changes in GDP, six months in advance.



The Vistage Confidence Index was 103.1 in the second quarter 2017 survey, down from 106.9 in the first quarter but still well above last year's 88.0.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same or worsened?	Improved	823	55%
	Remained about the same	566	38%
	Worsened	91	6%
	Don't know/No opinion	10	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	568	38%
	About the same	698	47%
	Worse	193	13%
	Don't know/No opinion	31	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	716	48%
	Remain the same	644	43%
	Decrease	120	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	1,084	73%
	Remain the same	312	21%
	Decrease	84	6%
	Don't know/No opinion	10	1%
5. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?	Improve	901	60%
	Remain the same	451	30%
	Worsen	133	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	616	41%
	About the same	780	52%
	Decrease	88	6%
	Don't know/No opinion	6	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	904	61%
	Remain the same	501	34%
	Decrease	81	5%
	Don't know/No opinion	4	0%
8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q3 2017	267	18%
	Q4 2017	144	10%
	Q1 2018	84	6%
	Q2 2018	54	4%
	Steadily throughout the next 12 months.	519	35%
	I do not plan to increase my total number of employees in the next 12 months.	422	28%
9. Are you having trouble hiring workers?	Yes	926	62%
	No	556	38%

Question	Answer	Respondents	
		#	%
10. If hiring workers has become more difficult, what are you doing in response?	Boosting wages	518	34%
	Adding benefits	199	13%
	Slowing growth	134	9%
	Stepping up training	432	28%
	Other	245	16%
11. Is uncertainty about taxes, health care and other economic policies impacting your business?	Yes, I am delaying additional hiring.	165	10%
	Yes, I am delaying additional investments.	259	16%
	Yes, it has reduced orders from my customers.	143	9%
	No, it has not had any impact on my business.	918	58%
	Other	102	6%
12. Which trade deal should be more of a priority for the Trump administration: a deal with the UK or with Europe?	UK	157	11%
	Europe	522	35%
	Don't know	792	54%

Question	Answer	Respondents	
		#	%
13. What are the top three challenges your business will face in the next 12 months?	Talent management (finding, hiring, firing, retaining, and training employees)	778	19%
	Growth (growing too quickly/slowly or creating and executing new growth strategies)	745	18%
	Sales performance	507	12%
	Technology (cyber security, CRM, digital transformation, IT planning)	400	10%
	Customer retention and/or lead generation	334	8%
	Financial issues (finance, cash flow, profitability, liquidity, receivables, accessing credit)	325	8%
	Culture (creating company culture or measuring/improving culture)	295	7%
	Strategy (creating and/or executing on strategy or understanding the value of building strategy)	268	6%
	Customer experience (service, fulfillment, distribution or delivery)	267	6%
	Capitalizing on innovation/ability to innovate	152	4%
	Other	45	1%
	My business is not facing any extraordinary challenges	32	1%
	14. During your company's last fiscal year, what were its total revenues?	Less than 500k	24
500-999k		31	2%
1-4 million		259	17%
5-9 million		251	17%
10-20 million		294	20%
21-49 million		310	21%
50-99 million		148	10%
100-249 million		112	8%
250-499 million		43	3%
500-999 million		7	0%
1+ billion		11	1%

15. During your company's last fiscal year, what was its total employment?	1-9 employees	121	8%
	10-19 employees	169	11%
	20-49 employees	371	25%
	50-99 employees	308	21%
	100-499 employees	409	27%
	500-999 employees	64	4%
	1000-4999 employees	35	2%
	5000-9999 employees	8	1%
	10000+ employees	5	0%

VISTAGE
CEO Confidence Index

Surveying CEOs of small
to mid-sized businesses
since 2003