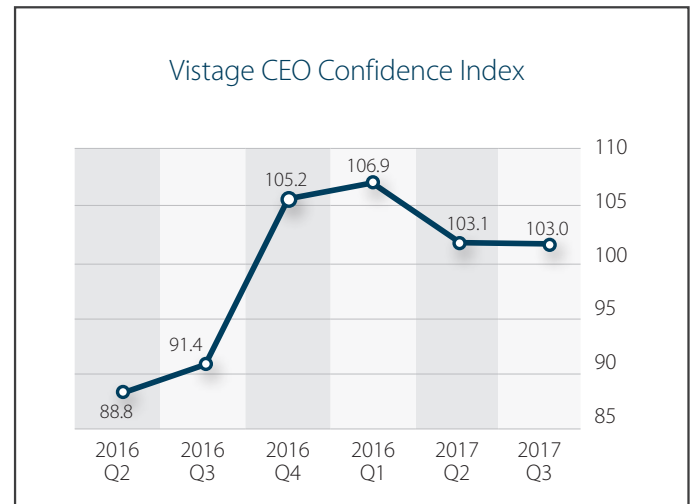
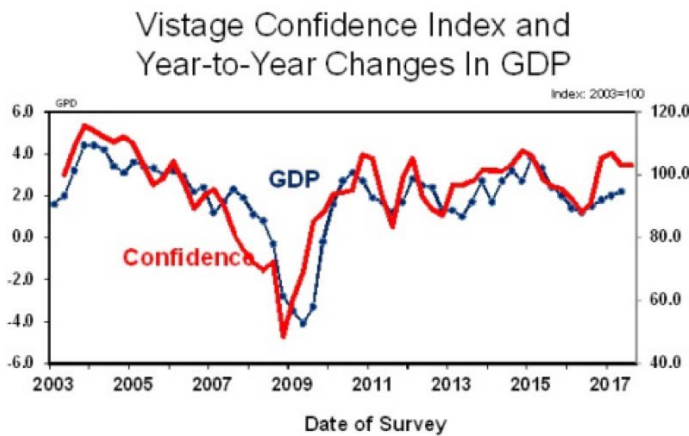


## Small business optimism stable

CEOs maintained their optimism about their firms' business prospects in the latest survey, despite their recognition that the pace of growth in the overall economy would moderate from the 3.0% pace in the Q2. The Vistage CEO Confidence Index was 103.0 in the Q3 2017 survey, virtually equal to the Q2's Index of 103.1 and well above last year's 91.4.

Offsetting CEOs' expected moderation in the pace of growth in the economy, they anticipated somewhat stronger growth in their revenues and profits. Importantly, planned investments and the expansion of employment remained at very high levels throughout the past year. While Trump's victory may have jump-started the rise in optimism, the data now suggest that small firms have placed greater weight on ongoing changes in the economy rather than prospective changes in tax and infrastructure policies.

While regulatory reform is welcome, especially given the burdens on small firms, the more important development is that firms have again emphasized economic rather than political factors in charting their future course. The major uncertainties, however, remain political rather than economic.



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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. The Vistage CEO Confidence Index has about a six-month lead and currently indicates a continued expansion with an uptick in the average rate of GDP growth during 2017 and early 2018.

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

## Vistage CEO Confidence Index highlights

**52%** of CEOs said the economy had recently improved, slightly below last quarter's 55% but more than twice last year's 25%.

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

**32%** of CEOs expect the economy to post additional gains during the year ahead, down from 38% last quarter.

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

**62%** of CEOs plan to expand their workforce in the year ahead.

**47%** of CEOs expect to increase investment expenditures in the next year.

### Pace of economic growth moderating

The majority of CEOs reported that economy had recently improved in the Q3 2017 survey, twice as many as in last year's Q3 (52% versus 25%). That rapid pace of recent economic gains, however, has significantly moderated. In Q3 2017, just 32% expected the pace of growth to be better in the year ahead. Although not much below last quarter's 38%, it was well below the seven year peak of 58% recorded immediately following Trump's election. While small firms still anticipated that the economy would improve in the year ahead, those expected gains are now much less dependent on the enactment of Trump's economic agenda. Although uncertainty about the eventual passage of new economic policies remains a top concern, small firms now believe that they can profit through continued modest economic growth.

### Robust sales growth

When asked to report last fiscal year's percentage growth rate in revenues, 33% reported growth rates of 10% or more, and another 40% reported 1-10% growth rates. Just 15% reported flat revenues and another 11% reported sales declines. When asked to project revenue increases during the current fiscal year, the estimates were slightly higher: 36% expected gains of 10% or more, 48% expected revenue gains between 1% and 10%, unchanged revenues were anticipated by 11%, and just 6% expected declines. These data are consistent with revenue estimates from the longstanding survey questions that asked about expected changes in revenues. In the Q3 quarter survey, 77% anticipated increases, 18% were unchanged, and just 5% expected declines. Note that the "same" response in the qualitative question includes estimates that have traditionally encompassed a wider response band around zero than for the quantitative question. Profit expectations were unchanged, with 62% expecting higher profits in Q3, remaining in the narrow range of 60-64% in the past four quarters.

### Strong investment and hiring plans

CEOs' intentions to increase investments in new plant and equipment and to expand their workforces remained unchanged at very favorable levels. Increased investment spending was planned by 47% in Q3, an intention that has remained in the tight range of 47-48% for the past four quarters. Increasing the size of their workforce was planned by 62% in Q3, also remaining in a tight range from 60-62% in the past four quarters.

Question	Answer	Respondents	
		#	%
<b>1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?</b>	Improved	720	52%
	Remained about the same	577	42%
	Worsened	77	6%
	Don't know/No opinion	9	1%
<b>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?</b>	Better	441	32%
	About the same	715	52%
	Worse	195	14%
	Don't know/No opinion	32	2%
<b>3. Are your firm's total fixed investment expenditures likely to increase, remain about the same or decrease during the next 12 months?</b>	Increase	654	47%
	Remain the same	615	44%
	Decrease	104	8%
	Don't know/No opinion	10	1%
<b>4. Do you anticipate that your firm's sales revenues will increase, remain about the same or decrease during the next 12 months?</b>	Increase	1,059	77%
	Remain the same	254	18%
	Decrease	68	5%
	Don't know/No opinion	2	0%
<b>5. Do you expect your firm's profitability to improve, remain about the same or worsen during the next 12 months?</b>	Improve	856	62%
	Remain the same	421	30%
	Worsen	102	7%
	Don't know/No opinion	4	0%

Question	Answer	Respondents	
		#	%
<b>6. Do you expect prices for your product or service to increase, remain about the same or decrease during the next 12 months?</b>	Increase	583	42%
	About the same	734	53%
	Decrease	60	4%
	Don't know/No opinion	6	0%
<b>7. Do you expect your firm's total number of employees will increase, remain about the same or decrease during the next 12 months?</b>	Increase	858	62%
	Remain the same	449	32%
	Decrease	71	5%
	Don't know/No opinion	5	0%
<b>8. When do you plan to increase your firm's total number of employees over the next 12 months?</b>	Q3 2017	186	13%
	Q4 2017	165	12%
	Q1 2018	127	9%
	Q2 2018	29	2%
	Steadily throughout the next 12 months	492	36%
	I do not plan to increase my total number of employees in the next 12 months	384	28%
<b>9. What was your sales growth rate in the past fiscal year?</b>	Increase 10%+	463	33%
	Increase 6-10%	276	20%
	Increase 1-5%	281	20%
	Flat	203	15%
	Decline 1-5%	75	5%
	Decline 6-10%	48	3%
	Decline 10%+	37	3%

Question	Answer	Respondents	
		#	%
<b>10. What is your projection for growth for this current fiscal year? *</b>	Increase 10%+	493	36%
	Increase 6-10%	329	24%
	Increase 1-5%	327	24%
	Flat	157	11%
	Decline 1-5%	37	3%
	Decline 6-10%	21	2%
	Decline 10%+	19	1%
<b>11. Which metrics do you measure for Sales?</b>	Less than 500k	21	2%
	500-999k	25	2%
	1-4 million	237	17%
	5-9 million	241	17%
	10-20 million	280	20%
	21-49 million	265	19%
	50-99 million	164	12%
	100-249 million	100	7%
	250-499 million	31	2%
	500-999 million	13	1%
	1+ billion	6	0%

Question	Answer	Respondents	
		#	%
12. During your company's last fiscal year, what was its total employment?	1-9 employees	112	8%
	10-19 employees	154	11%
	20-49 employees	341	25%
	50-99 employees	285	21%
	100-499 employees	380	27%
	500-999 employees	53	4%
	1000-4999 employees	30	2%
	5000-9999 employees	4	0%
	10000+ employees	4	0%
	None	20	1%

**VISTAGE**  
CEO Confidence Index

Surveying CEOs of small  
to mid-sized businesses  
since 2003