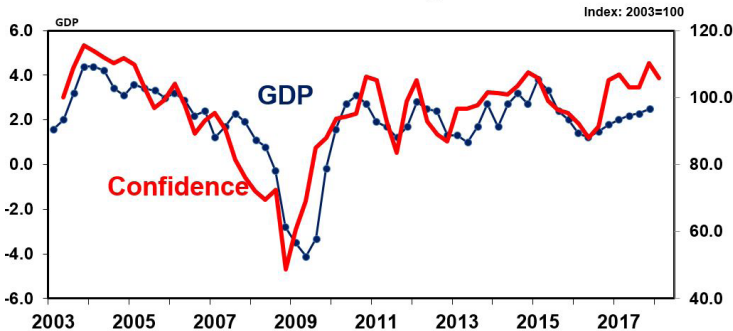


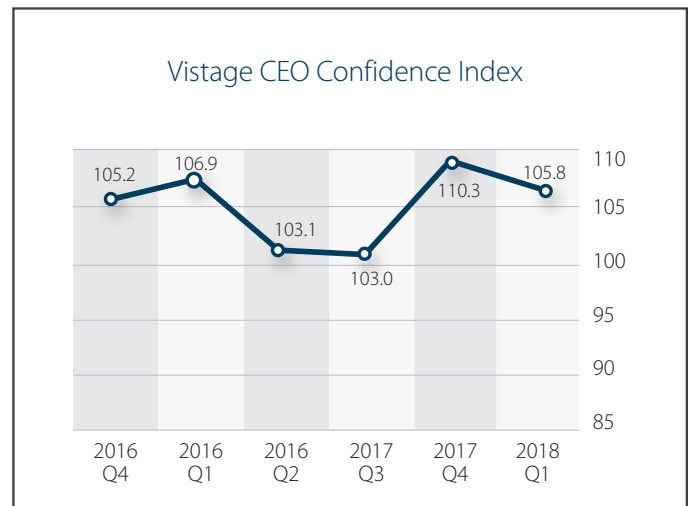
CEO optimism tempered.

CEOs continued to voice optimism about their future financial prospects and plan to increase their investments and expand their labor force. Although the Vistage CEO Confidence Index retreated from the decade high recorded at year-end 2017, it remains quite favorable. The decline in confidence was mainly due to a moderation in the pace of growth expected for the national economy during the year ahead. The Vistage CEO Confidence Index slipped to 105.8 in Q1 2018, below the prior quarter's decade peak of 110.3 and slightly below Q1 2017 reading of 106.9. The strong Q4 2017 reading was in anticipation of tax reform, and it is not unexpected that those initial very optimistic expectations were slightly reduced once firms more clearly understood the provisions of the legislation that was signed into law. In contrast to concerns about prospects for the economy, CEOs remained quite optimistic about prospects for their own firms. Although revenues, profits and planned increases in investments and employees were slightly below last quarter's levels, they were all more expansive than in the Q1 2017 survey.

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



Vistage CEO Confidence Index



The Q1 2018 Vistage CEO Confidence Index was 105.8, below the Q4 2017 index of 110.3 as well as the Q1 2017 index of 106.9.

The decline in the pace of economic growth may be due to firms anticipating that the impact from higher inflation and rising interest rates would be more noticeable in the overall economy than on their own firm, or it could be partly due to a reaction to recent trade policy developments, it could simply reflect a more realistic assessment of the tax legislation. In any case, the confidence of CEOs from small and midsize firms remains quite high.

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

Vistage CEO Confidence Index highlights

62% CEOs said the economy had recently improved, a slight decline from last quarter's 66%.

79% of CEOs expected increased revenues in the year ahead.

35% of CEOs expected the economy to post additional gains during the year ahead, down 10 points from 45% last quarter.

66% of CEOs expected increased profits in the year ahead.

64% of CEOs planned to expand their workforce in the year ahead.

54% of CEOs expected to increase investment expenditures in the next year.

Firms planned robust hiring and investment.

Firms planned a robust expansion of their workforce and near-record increases in investment spending on new plant and equipment. 64% of CEOs planned to increase their employee headcount, a figure between last month's fifteen-year peak of 71% and last year's 60%. Just 4% planned job cutbacks, tied with last month's figure for the lowest ever recorded. Finding and retaining employees continues to be challenging. The majority of firms are responding by training existing workers to qualify for new higher level positions (67%), followed by offering higher wages (62%) and more benefits (33%). In this robust economy, it is not surprising that few CEOs favored slowing sales (13%) or delivery times (10%). Investments in new plants and equipment have also been maintained at high levels. 51% of CEOs planned to increase investment expenditures, just below last quarter's decade high of 54% and above last year's 47%. Just 7% planned to reduce investments in the past two quarters, the lowest since 2004.

Strong outlook for revenues and profits.

79% of CEOs expected revenues to grow in the year ahead, just below last quarter's 83%, which was the highest level since the start of 2005. 66% of CEOs anticipated increased profits, barely below last quarter's 67%, which was the highest level since the start of 2006. While these revenue and profit expectations are extremely favorable, they stand in contrast to those same firms reduced prospects for growth in the economy during the year ahead.

Will this time be different?

One might expect that CEOs would abandon pessimistic views about the outlook for the national economy given their optimism about their own business; CEOs are assumed to have more accurate information about their own firm than the overall economy. This time it may be different, given the potential impact of tariffs on the domestic economy from an escalating trade war. While some firms may be impacted by rising costs due to the tariffs, all firms may face a rising inflation rate and higher interest rates, which could slow the pace of job growth and the growth rate in the overall economy. If that is the case, the optimism that CEOs hold for their own firms may decline in the months ahead.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?*	Improved	1057	62%
	Remained about the same	546	32%
	Worsened	97	6%
	Don't know/No opinion	12	1%
2. During the next 12 months, do you expect the overall economic conditions in the United States will be better, about the same, or worse than now?	Better	602	35%
	About the same	805	47%
	Worse	277	16%
	Don't know/No opinion	28	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	871	51%
	Remain the same	703	41%
	Decrease	121	7%
	Don't know/No opinion	17	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	1347	79%
	Remain the same	266	16%
	Decrease	91	5%
	Don't know/No opinion	8	0%
5. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	1131	66%
	Remain the same	436	25%
	Worsen	138	8%
	Don't know/No opinion	7	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	890	52%
	Remain the same	753	44%
	Decrease	58	3%
	Don't know/No opinion	11	1%
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	1090	64%
	Remain the same	543	32%
	Decrease	76	4%
	Don't know/No opinion	3	0%
8. When do you plan to increase your firm's total number of employees over the next 12 months?	Q2 2018	352	32%
	Q3 2018	176	16%
	Q4 2018	45	4%
	Q1 2019	13	1%
	Steadily throughout the next 12 months.	504	46%
9. If hiring workers has become more difficult, what are you doing in response?	Boosting wages	1010	62%
	Adding employee benefits	540	33%
	Developing existing workforce	1107	67%
	Managing demand/slowing growth	214	13%
	Adjusting fulfillment/delivery times	167	10%
	Other	243	15%

Question	Answer	Respondents	
		#	%
10. Which employee development programs do you currently offer to attract and retain employees?	Company onboarding - company policies and systems	1166	71%
	Job-related skills training	1252	76%
	Soft skills training	745	45%
	Mentorship/mentor program	734	45%
	Tuition reimbursement	625	38%
	Career development for new roles	715	43%
	Management training programs	623	38%
	Other	62	4%
11. How concerned are you about cybersecurity threats impacting your business?	Not at all concerned	50	3%
	Slightly concerned	362	21%
	Somewhat concerned	371	22%
	Moderately concerned	574	34%
	Extremely concerned	338	20%
12. Does your company use external partners to manage cybersecurity?	Yes, we outsource 100% of cybersecurity to cybersecurity specialists	442	26%
	Yes, we use cybersecurity specialists to support our IT staff that manage cybersecurity	674	40%
	No, we do not use cybersecurity specialists	541	32%
	Don't know	38	2%
13. Do the cybersecurity specialists you use to manage or support your company's cybersecurity have certifications such as CISSP (Certified IS Security Specialist), CISA (Certified IS Auditor), CEH (Certified Ethical Hacker)?	Yes	428	39%
	No	61	5%
	Don't know	622	56%

Question	Answer	Respondents	
		#	%
14. Which statement best describes your company's compliance with security regulations such as NIST, PCI, SOC, HIPAA, etc.?	Our company is 100% compliant	461	27%
	Our company is working to become 100% compliant	370	22%
	Our customers require us to provide proof of compliance	103	6%
	We require supply chain partners to provide proof of compliance	62	4%
	Does not apply	332	20%
	Don't know	464	27%
	15. Does your company have cybersecurity insurance?	Yes, we have had cybersecurity insurance for more than 1 year	604
Yes, we added cybersecurity insurance in the past year		211	13%
No, but we are actively looking for cybersecurity insurance		186	11%
No, we do not have cybersecurity insurance		669	40%
16. What are the top three challenges you will face in your business for the next 12 months?	Talent management (recruitment & hiring, training & development, performance management, retention)	868	59%
	Growth (new markets, product development, expansion, mergers & acquisitions)	822	56%
	Sales performance	518	35%
	Customer acquisition / lead generation	469	32%
	Financials (cash flows, taxes, profitability, capital, credit)	417	28%
	Customer experience (customer service, retention, NPS)	337	23%
	Organizational culture	271	18%
	Technology (cybersecurity, CRM, digital transformation, IT planning)	249	17%
	Strategic planning	237	16%
	Leadership	182	12%
Other	32	2%	

Question	Answer	Respondents	
		#	%
17. During your company's last fiscal year, what were its total revenues?	Less than 500k	25	1%
	500-999k	35	2%
	1-4 Million	289	17%
	5-9 Million	289	17%
	10-20 Million	319	19%
	21-49 Million	365	21%
	50-99 Million	199	12%
	100-249 Million	122	7%
	250-499 Million	39	2%
	500-999 Million	15	1%
	1+ Billion	15	1%
	18. During your company's last fiscal year, what was its total employment?	1-9 employees	154
10-19 employees		182	11%
20-49 employees		394	23%
50-99 employees		321	19%
100-499 employees		497	29%
500-999 employees		56	3%
1000-4999 employees		51	3%
5000-9999 employees		6	0%
10000+ employees		9	1%
None		42	2%