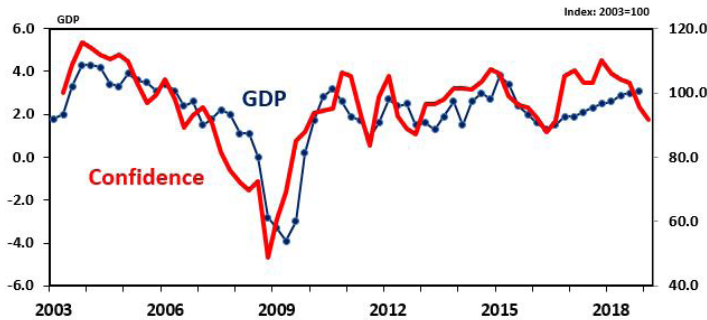


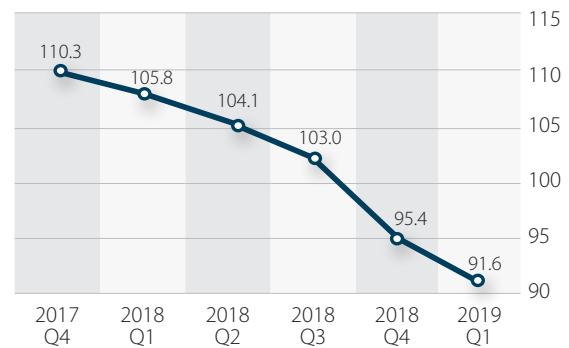
CEO optimism sinks further.

Confidence among CEOs continued to decline according to analysis of the latest Vistage CEO Confidence Index survey, falling to the lowest level since the presidential election. The Vistage CEO Confidence Index was 91.6 in Q1 2019, down from 95.4 the prior quarter and last year's 105.8. Most of the decline was driven by assessments of current conditions of the national economy; future economic prospects remained at the same low level recorded last quarter. Although more CEOs indicated that their firm's prospects had dimmed, the falloff was much less than the recent plunge in how they viewed overall economic conditions. The current level of confidence has neared the lower boundary of the zig-zag pattern it has traveled in the current expansion. This indicates a return to a sluggish pace of economic growth, not a renewed recession. Indeed, the critical challenge voiced by nearly half (47%) of all CEOs is attracting qualified additions to their workforce. Retention neared the bottom of the list of critical challenges in talent management, which was supported by the fact that 40% of CEOs indicated employee turnover rates were under 5%. As the rate of job creation slows and workforce expansion plans hold steady, the increasingly competitive labor market may cause retention rates to rise; over one-fourth (27%) of CEOs reported retention rates that were greater than 10%. More than half (51%) of CEOs plan to increase prices for their products or services to cover rising costs. Although profit growth weakened in the latest survey, 43% of firms anticipated reduced taxes due to the new legislation.

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



Vistage CEO Confidence Index



The Q1 2019 Vistage CEO Confidence Index was 91.6, 14.2 points down from 105.8 in Q1 of last year

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 for the majority of the period. This correspondence shows an increasing divergence beginning in early 2017 which is subsequently reversed starting in 2018. Overall, the data indicate a slowing pace of economic growth during 2019.

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

Vistage CEO Confidence Index highlights

Economy	Prospects	Expansion
29% of CEOs said the economy had recently improved, a 15 point drop from last quarter.	70% of CEOs expect increased revenues in the year ahead.	41% of CEOs expect to increase investment expenditures in the next year.
14% of CEOs expect the economy to post additional gains during the year ahead.	58% of CEOs expect increased profits in the year ahead.	59% of CEOs plan to expand their workforce in the year ahead.

Economic outlook grows more pessimistic.

Just 29% of all CEOs reported that economic conditions had recently improved, down from 44% last quarter and 62% in Q1 of last year. CEOs have expressed even greater pessimism about the outlook for the economy in the year ahead. Just 14% of CEOs anticipated any improvement in the economy, unchanged from last quarter and below 35% recorded last year. The optimism that followed the presidential election two years ago has been replaced by pessimism about economic prospects. While it is tempting to suggest that this shift in GDP was due to political rather than economic factors, it may still foreshadow a recession. Indeed, the all-time low in expectations for improved economic conditions was 10%, set in the 4th quarter of 2007 at the start of the Great Recession. The crucial difference is that pessimism about the economy is now offset by more favorable revenue and profit expectations, as well as more expansive hiring and investment plans than in 2007. These factors have held the CEO Confidence Index at 91.6, well above the 76.0 recorded in 2007.

Revenue and profitability prospects remain favorable.

Seven-in-ten firms expected revenue gains, unchanged from last quarter, but the lowest level in two years. Just 7% anticipated declines as most of the shift was toward stable revenues. Profits were anticipated to increase by 58% in the Q1 2019 survey, a two-year low. Only 11% anticipated declining profits, barely above last quarter's 10%.

Stable expansion plans indicate uncertainty versus recession.

Increases in their total workforce were expected by 59% of all firms, down from 65% in the prior quarter and 64% in Q1 2018. Remarkably, current plans to increase the size of the firm's workforce are more than twice the 27% set in late 2007 when expectations for growth in the overall economy fell to an all-time low. 41% of CEOs plan to increase investment expenditures, in line with last quarter's 43% but well below last year's 51%. Just 12% of firms planned actual reductions in fixed investment spending, up from 8% in the prior three quarters, but still well below the 20% in late 2007. These sharp and offsetting divergences exemplify the corrosive impact of economic uncertainty which may persist for several years.

Question	Answer	Respondents	
		#	%
1. Compared with a year ago, have overall economic conditions in the United States improved, remained the same, or worsened?	Improved	497	29%
	Remained about the same	937	54%
	Worsened	279	16%
	Don't know/No opinion	16	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	234	14%
	About the same	931	54%
	Worse	542	31%
	Don't know/No opinion	22	1%
3. Do you anticipate that your firm's sales revenues will increase, remain about the same, or decrease during the next 12 months?	Increase	1212	70%
	Remain the same	386	22%
	Decrease	125	7%
	Don't know/No opinion	6	0%
4. Do you expect your firm's profitability to improve, remain about the same, or worsen during the next 12 months?	Improve	1002	58%
	Remain the same	530	31%
	Worsen	187	11%
	Don't know/No opinion	10	1%

Question	Answer	Respondents	
		#	%
5. Are your firm's total fixed investment expenditures likely to increase, remain about the same, or decrease during the next 12 months?	Increase	715	41%
	Remain the same	795	46%
	Decrease	200	12%
	Don't know/No opinion	19	1%
6. Do you expect your firm's total number of employees will increase, remain about the same, or decrease during the next 12 months?	Increase	1021	59%
	Remain the same	602	35%
	Decrease	95	5%
	Don't know/No opinion	11	1%
7. When do you plan to increase your firm's total number of employees over the next 12 months?	Q2 2019	318	31%
	Q3 2019	177	17%
	Q4 2019	55	5%
	Q1 2020	21	2%
	Steadily throughout the next 12 months.	450	44%
8. Which of the following is the most critical challenge your business is currently facing when it comes to managing talent?	Attracting qualified talent	809	47%
	Training and development of employees	323	19%
	Creating a strong culture that drives employee engagement	281	16%
	Creating growth opportunities for employees	168	10%
	Retaining existing talent	110	6%
	Other, please specify	31	2%
9. Over the past 12 months, how has your employee turnover rate changed?	Increased	336	19%
	Remained the same	1080	63%
	Decreased	293	17%
	Don't know/No opinion	19	1%

Question	Answer	Respondents	
		#	%
10. What was your employee turnover rate for the past 12 months?	Less than 5%	697	40%
	6-10%	504	29%
	11-25%	329	19%
	26-50%	105	6%
	More than 50%	38	2%
	I don't know	52	3%
	11. Do you expect prices for your product or service to increase, remain about the same, or decrease during the next 12 months?	Increase	873
About the same		762	44%
Decrease		80	5%
Don't know/No opinion		10	1%
12. Have you changed the way your business is structured or operates as a result of the tax law? For instance, have you shifted from operating as an S Corporation or other pass-through entity to a C Corporation or the reverse?	Yes	80	5%
	No	1641	95%
13. Based on the new tax law passed last year, how has your tax bill changed?	Decreased >20%	70	4%
	Decreased 10-20%	255	16%
	Decreased <10%	374	23%
	Remained the same	794	49%
	Increased <10%	97	6%
	Increased 10-20%	28	2%
	Increased >20%	8	0%

Question	Answer	Respondents	
		#	%
14. Which of the following best describes who is responsible for your financial management, including taxes and other financial reporting:	Myself	215	12%
	An external consultant, CPA or financial advisor	503	29%
	Our Chief Financial Officer or equivalent	802	46%
	Accounting personnel that report to me	166	10%
	Other, please specify	41	2%
15. How are tariffs impacting your business?	Positively impact my business	66	4%
	No impact on my business	1010	59%
	Negatively impact my business	647	38%
16. During your company's last fiscal year, what was its total employment?	1-9 employees	149	9%
	10-19 employees	195	11%
	20-49 employees	383	22%
	50-99 employees	358	21%
	100-499 employees	503	29%
	500-999 employees	76	4%
	1000-4999 employees	50	3%
	5000-9999 employees	7	0%
	10000+ employees	7	0%
	None	1	0%

Question	Answer	Respondents	
		#	%
17. During your company's last fiscal year, what were its total revenues?	Less than 500k	31	2%
	500-999k	49	3%
	1-4 Million	272	16%
	5-9 Million	288	17%
	10-20 Million	327	19%
	21-49 Million	348	20%
	50-99 Million	192	11%
	100-249 Million	141	8%
	250-499 Million	47	3%
	500-999 Million	17	1%
	1+ Billion	17	1%

VISTAGE
CEO Confidence Index

Surveying CEOs of small
to mid-sized businesses
since 2003